Member Audit Bureau of Circulations

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WITH THE EDITORS

A Few Thoughts on "Disinterested Advice"

NO doubt our readers have frequently noticed an inconspicuous phrase on bond circulars to the effect that a certain value has been placed on the properties through "an appraisal by disinterested authorities." To almost everybody this phrase is merely a customary way of finding a basis (among others) on which to determine the investment soundness of the bond issue offered to the public. Even the phrase, while perhaps trite, is traditional. And few of us would raise any question on the use of the word *disinterested.*

But that is getting ahead of our story. There is a partner of a well known bond firm in Wall Street who attributes his success to an experience in his youth, known only by a few intimate friends.

While discussing a certain mortgage bond with one of his clients, many years ago, he laid great stress on the "disinterested appraisal" with all the enthusiasm of an energetic young bond salesman. The client, as it happened, was a quite wealthy gentleman with very decided ideas of his own. He listened very patiently to the young man's story and then peremptorily announced that he was not interested. Why? Well, he was not satisfied about the property valuations.

"But they are all *disinterested* appraisals," insisted the young bond salesman.

"That's exactly why I am not interested," replied the client. "When I seek facts about investment I want to get them from *interested* parties—from someone who is interested in me."

Many young bond salesmen would set the old gentleman down as a crank and go on their way. But not this young man. This new point of view made a deep impression. Throughout his career he avoided the easier method of giving *disinterested* investment counsel. He always allied his interests with those of his clients—and his business prospered.

In later years he has seen his theories on investment counsel confirmed by the success and ever increasing growth of such an independent institution in the investment field as THE MAGAZINE OF WALL STREET—which is definitely allied with the financial success of its readers; which is not just a *disinterested* authority in its appraisals of security values but rather vitally *interested* on the side of the investor. In this age when the old saying, "Let the buyer beware," still prevails, investors are coming around more and more to the practice of "hiring counsel" rather than depending upon "disinterested advice."

Annual Re-Investment Number

IT is at the closing period of the year that investors make plans to re-invest their surplus income. In order to give such investors ample opportunity, THE MAGAZINE OF WALL STREET will publish its Annual Re-investment Number in the December 4 issue, giving investors nearly an entire month's time in which to choose their investments. For this purpose, we have compiled a special list of securities suitable for income (and in a number of cases suitable for profit) selected from the various investment groups. Each issue listed by us will be accompanied by vital statistical information and descriptive text matter. It is our endeavor to present only the soundest investment issues which are selling at the most attractive prices. In the preparation of this feature, still being conducted by our Staff, a number of quite unusual security bargains have been uncovered.

The various types of investments covered are:

1) **High-grade bonds.**

2) **High-grade preferred stocks.**

3) **Medium-grade bonds (for enhancement as well as income).**

4) **Medium-grade preferred stocks (for enhancement as well as income).**

5) **Bank and insurance stocks.**

6) **Investment common stocks (listed and unlisted).**

There will be approximately 150 separate issues from which to choose. Accompanying every section of this feature will be a special article describing their market position and outlook. Our Staff has spared no pains in making this investment feature the most practical and valuable of its kind and we believe it will prove of inestimable utility to the rank and file of the investing community.

December 4 Issue—Annual Re-Investment Number

The MAGAZINE *of* WALL STREET

C. G. WYCKOFF
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MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Scarcity of Investment Issues at Attractive Yields—Growth of Share Capitalization—Steel Outlook—Money Rates—Improved Shipping Conditions—The Market Prospect

ONE of the most significant financial developments is the rapidity with which corporations are cutting down their funded debt either through refunding operations or actual calling in of issues by drawing on treasury surplus. After a number of years of good earnings, many of our leading corporations find themselves in a very strong treasury position which, incidentally, guarantees them a certain degree of financial immunity in the event business turns sharply downward. On the whole, the amount of bond issues and preferred stock being called is in excess of the amount of new issues. This has produced a peculiar situation in which investment bankers are complaining of a lack of sufficient new issues to meet the investment demand. Certainly, it is remarkable to see how quickly any good bond offering is taken these days by the investing public.

In the bond market itself, there is a considerable amount of buying with the result that prices of all descriptions are being pushed up. This, of course, has been aided by the easing tendency in money rates. At the same time, it is worth noting that American investors are showing greater interest in foreign bonds which during the past few weeks have been advancing steadily. This is due both to scarcity of sound domestic bonds which yield comparable rates and to the general impression that foreign bonds are in an improved position. To this latter theory we cannot as yet subscribe; nevertheless, it is worth noting the public's attitude, which is becoming increasingly favorable toward these issues. So far as readers of this publication are concerned, we still advise that if they intend to purchase foreign bonds, they select only the soundest of these issues and limit their investments along this line to only a small percentage of their available investment funds. There are still sufficiently great opportunities among domestic issues though, of course, they are not so numerous as a few years ago when bonds sold at ridiculously low prices.

GROWTH OF STOCK CAPITALIZATION

ONE of the effects of the era of stock dividends and split-ups is that the common share capitalization of many corporations has become unwieldy in a market sense. There are now several hundred corporations whose securities are listed on the N. Y. Stock Exchange and whose common stock runs into a million and more shares. The added number of shares and at a lower price has naturally facilitated distribution among the country's small investors but by this very token market fluctuations have a tendency to become much more narrow than would be the case with a stock capitalization of moderate proportions. This, for example, has been one of the very great impediments in the way of a genuine advance in oil shares, where perhaps more than any other group corporations are very liberally capitalized as to number of shares outstanding. Insofar as this situation tends to make manipulation more difficult it is beneficent, of course, but, as in the case of the oils, where it tends to prevent a legiti-

mate advance based on economic grounds, it is a real handicap to investors.

This is one of the newer market situations, whose effect is still difficult to trace and it will take more experience with this factor to determine whether large stock issues in the long run are a blessing or the reverse. In the meantime, it must be admitted that from the viewpoint of those who are more interested in market fluctuations than steady market action, it is by no means an unmixed blessing.

STEEL OUTLOOK AT present writing, operations of the U. S. Steel Corporation, particularly in the Pittsburgh district, are showing a marked decline, with a current percentage around 80% compared with nearly 90% a few weeks ago. The outlook is that steel operations will continue to decline perhaps until the end of the year. This situation, of course, applies to independent companies as well as the Steel Corporation itself. From an earnings viewpoint, however, the fourth quarter shrinkage is not likely to be sufficiently great to have a pronounced effect on the full year's showing. For most companies, 1926 will go down in history as one of the most prosperous years on record. Strangely, very few companies in this field have yet turned over a larger part of their earnings in form of dividends to stockholders. In other words, shareholders have not yet received full benefit from these large earnings. Indications point to extra distributions of moderate size and at least one of the larger independents may re-install its dividend rate. Steel shareholders have still much to look for by way of dividends though this outlook has been more or less discounted in the market price of these shares.

SHIPPING IMPROVEMENT THERE has been a sharp increase in freight rates due to two factors, first the extra demand for bottoms arising from large coal shipments which have been the outcome of the British coal strike, and second, the improvement in world trade conditions. The latter is the more fundamental factor. Europe is swiftly preparing to take her place in the sun so far as world trade is concerned and bottoms will be needed to carry the potentially vast amount of traffic. It should be remembered that years of comparative abstinence from shipbuilding and the obsolescence of formerly serviceable vessels have reduced the available amount of shipping facilities so that the larger companies in possession of efficient and numerous ships face the future with considerably increased optimism. A not altogether insignificant development as perhaps heralding a fundamental change in this industry is the recent activity and strength in shipping shares, for the first time in a very considerable period.

MONEY RATES THERE has been some shading of money rates, principally owing to release of funds from the stock market following the decline in stock prices. Call money rates have been lowered to 4½ against 5% and time money is now available at 4¾ against 5%. It seems now that demand for funds will not increase sufficiently to bring rates up to the recent high levels. Further shading may be expected though marked changes are unlikely. Altogether the money situation shows marked improvement. There has been some talk of a cut in the rediscount rate but such a prospect is still some time off.

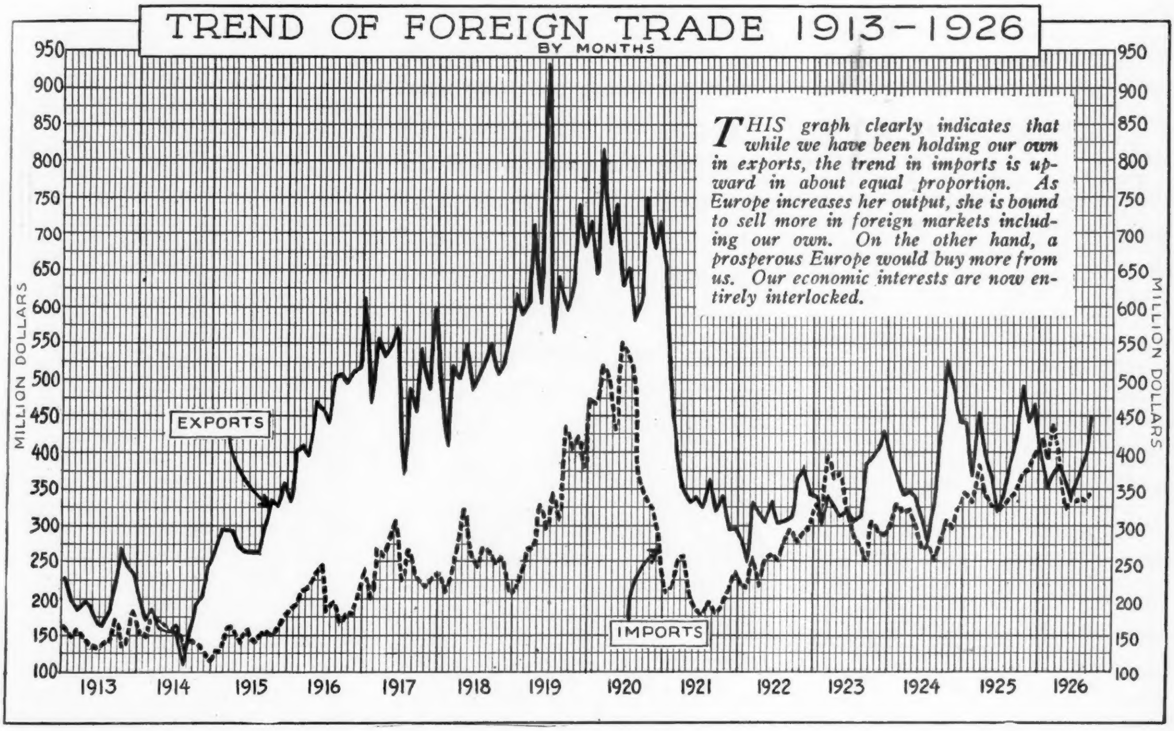
MARKET PROSPECT THE market is characterized by resumption of pool activities in a number of leading speculative issues, mainly predicated on the greater abundance of money rates at lower levels and the outlook for several important increases in dividends which are expected by the end of the year. Based on the actual business situation, the upward move is hardly justified except in a few specific instances. However, the market is acting more in accord with technical conditions than the business situation. As a result of the last sweeping decline in prices, the technical position of the market was vastly improved, and the ensuing recovery therefore was not surprising. At this writing, however, the advance has been carried probably as far as it can be without endangering the market structure. The technical position consequently has been weakened as a result of the almost uninterrupted recovery. Essentially, the market is a selective affair with opportunities available in a limited number of sound issues but with the majority of the stocks in an unattractive position. Purchase of stocks should not be undertaken except where based on an intimate knowledge of the position of the companies. From the broader viewpoint, the market is still in the distributive stage.

Monday, November 15, 1926.

Is America Approaching the End of Its Great Trade Expansion?

What Can Be Done to Maintain Indefinitely the Prosperity of the United States?

By SIR GEORGE PAISH



THE maintenance of American prosperity is of great, indeed is of vital, importance to Europe from many points of view. At the immediate moment the most important is the ability of America to continue to grant credit, both banking and investment in sufficient amount to enable the European nations to purchase the supplies of food and raw material they need for the sustenance and employment of their peoples.

With Russian food supplies still lacking and with Rumanian supplies small, Europe needs to purchase greatly increased quantities from the United States and Canada. Were the Russian and Rumanian supplies available in pre-war quantities Europe would have no difficulty in paying for them by means of exports of her manufactures and in services of one kind or another but with the pre-war level of supply no longer available Europe must purchase from the United States and Canada, whose crops have increased, while the Russian and Rumanian crops have declined.

To purchase from America and Canada, however, involves credit which American bankers and investors have hitherto been both able and willing to supply. But were America's prosperity to disappear, American bankers and investors might neither be able nor willing to supply the credit so essential to the purchase by Europe of American products of prime necessity in which case the peoples of the food importing nations of Europe would be subjected to great distress.

Europe and America Dependent on Each Other

But this is not the only danger to Europe of a collapse in American prosperity. America at the present time is buying vast quantities of sugar cane, raw silk, rubber and coffee and these products constitute a large portion of her imports. Were her prosperity to decline and were she unable to buy so many of these luxuries or semi-luxuries, Europe would experience still greater difficulty in paying America for her foodstuffs and raw materials as America takes payment from Europe of no inconsiderable portion of her exports to Europe in these tropical or semi-tropical products.

If it be borne in mind that Europe needs to buy over 50% of all the produce America has for sale

abroad, that America buys from Europe only one-half of the amount she sells to Europe notwithstanding Europe's indebtedness to her, the serious consequence to Europe of any great reduction in America's purchases of tropical and other products, which her prosperity permits her to buy will clearly be in evidence to the world.

Can Europe Pay Her Debts?

Then again Europe is interested in the maintenance of American prosperity from yet another angle. Europe needs not only to buy additional supplies of essential foodstuffs and raw materials from day to day for the payment of which she could not obtain the exchange were it not for America's loans and purchases of tropical products, but she requires to pay interest on the large sums of capital with which America has supplied her since 1914. These payments would become quite impracticable by reason of the lack of dollar exchange were it not for the very large expenditures of American tourists both in Europe and elsewhere. Any serious diminution of American prosperity would cause these expenditures greatly to decline and Europe's difficulties in paying for urgently needed supplies of essentials and for interest on sums borrowed would become insurmountable.

The maintenance of American prosperity and with it American lending and spending power are thus of almost paramount importance to Europe at the present moment. But the reverse is also true. Without Europe's great purchases of cotton, food, copper and other products American prosperity would rapidly diminish. Any falling off in Europe's demand for cotton would inevitably involve a fall in the price of that commodity. The decline in price with a bumper crop is not a matter of great moment but a fall in price arising from a permanent reduction of demand would be a much more serious matter. It would injure the whole of the cotton producing states and through them the industries whose prosperity is dependent upon the sale of average crops of cotton at average prices. A very large number of industries and people would thus be affected.

Again were Europe unable for one cause or another to buy America's surplus wheat representing nearly 25% of the quantity produced, the whole of the wheat states would be thrown into disorder not only by the reduced demand but by the lower prices and American industry generally would suffer. And the same is true of the other American products which find so large a market in Europe.

THIS remarkable and extremely penetrating analysis of the American economic situation by one of the world's foremost economists, reveals our potential strength and weakness. Of the highest significance is Sir George Paish's statement that America has almost reached the limit of her credit resources, a fact only appreciated by bankers and financiers but not generally known to the public. The eminently logical conclusions reached by the author and his suggestions that a crisis may be staved off are indeed worthy of the closest attention by the American business man and investor. This represents one of the very few occasions in which Americans have had the opportunity of seeing conditions at home as the experienced foreigner sees them.

Thus, while Europe is dependent upon America's prosperity for power to make payment for America's produce and interest on capital by credit, by exports to the rest of the world and by providing for American tourists, America, in turn, is in no small degree dependent upon the maintenance of European buying power for the maintenance of her own prosperity. If either one were to collapse both would do so.

Thus, in considering America's outlook, account has to be taken not only of America's power to produce and to grant credit, but of Europe and the world's power to purchase American products.

What About U. S. Surplus Gold?

It would be idle to deny that much anxiety exists as regards both America and Europe. The amount of credit created in the United States both on home and foreign account is now very large and it is evident that America is rapidly absorbing her stock of surplus gold. When the Federal Reserve Banks were constituted and the proportion demanded by the law of reserve to deposit liabilities of the member banks was substantially reduced, American bankers at once obtained power to grant credit in very large measure. This power was further increased by the permission under the law for bankers to supplement the amount of credit they were able to grant to their clients by borrowing from the Reserve Banks. Thus, a very large sum of additional credit was placed at the disposal of the American public. But beyond the credit which this change of the law rendered feasible, bankers' resources were immensely increased by the great sums of gold which Europe sent to America to pay for produce during the war and to strengthen the reserves of American bankers in order to permit them still further to expand their power to grant credit.

In this way not only did America accumulate more than half the world's stock of gold but this gold was in proportion rendered more potent by the relatively small reserves which bankers needed to hold either in their own vaults or in the Federal Reserve Banks. A vast expansion of banking credit thus became practicable. American bankers through the Federal Reserve Banks still possess a substantial balance of gold which can be utilized for the expansion of credit. That is to say, American bankers can still secure a substantial expansion in their deposits and can therefore expand their loans before all the gold accumulated is brought into use for credit purposes. Moreover, there are still in circulation a consider-

able quantity of gold certificates which could be withdrawn and replaced by Federal Reserve notes, a process which would further strengthen the gold reserves of the Federal Reserve Banks and thus enable additional credit to be created.

American Banks Near End of Lending Limit?

But after allowance is made for the actual and potential margin of gold reserves in comparison with what the law now requires, the fact remains that year by year bankers' deposits are rapidly expanding and that the proportion of the total stock of gold both in the treasury and in the Federal Reserve Banks to the aggregate amount of American bankers' deposits both national and state has now declined to a figure not much above the proportion of gold to deposits in British banks. *In other words, American bankers are now getting within sight of the potential limits of their lending capacity unless they supplement their existing stocks of gold by further imports.*

Any great import of gold might, however, greatly disturb the European situation and retard the return of Europe to normal conditions, a step that might seriously interfere with the process of granting credit to Europe and the sale of American products. So long as European finance is in a disordered condition so long is it difficult, indeed dangerous, to furnish Europe with the credit she needs. The stabilization of the German mark and the balancing of the German budget together with the adoption of the Dawes plan have induced American bankers and investors to supply Germany with the credit she so urgently needed for the purchase of American produce. And in order to stabilize the mark Germany had to accumulate large gold reserves.

The time has now come for the stabilization of the other currencies of Europe more especially the Belgian and the French. This task will demand the accumulation of gold by Europe—not its export to the United States. It will also demand the grant of a considerable amount of American credit which will doubtless be provided when it becomes evident that every state in Europe is now anxious to restore its currency to a gold basis.

An Unusual Situation for the U. S.

In these circumstances, the accumulation of additional stocks of gold by America is not likely to be attempted. It may, therefore, be admitted that American bankers are now getting within sight of the limits of their credit facilities until such time as it will again be feasible and desirable for them to accumulate a fresh stock of gold. They are indeed reaching a position where the creation of fresh credit is necessary for the maintenance of America's active conditions of trade, but where the limits even of their vast reserves of gold preclude such creation.

Under these conditions it is probable that American bankers and producers will seek to discover other methods of maintaining the great demand, both home and foreign, for American products than by the creation of so much credit. The American public deserve to maintain their immense buying power and Europe needs to buy American products as freely as ever. In so far as goods and services in America can be paid for by other goods and services no increase of credit is needed to maintain the present great volume of internal trade and in so far as America is prepared to accept payment in foreign products and services for the great volume of her own products she is now exporting no new creations of credit will be required to maintain her great foreign trade. The duration of America's prosperity will be governed by her ability to balance her productions, as well as her exports with her imports and to grant new credits out of the sums received in repayment of old credits.

Sir George Paish

World renowned economist and leading expert on foreign exchange

Conclusion

Clearly the limits of the great trade expansion arising both from the enormous accumulation of gold and its greater efficiency are now approaching but just as European nations need to adjust their budgets and to stabilize their currency so America requires to balance her buying power with her productive power and thus to avoid the necessity for any further great expansion of credit either at home or abroad.

Inasmuch as American bankers and financiers are fully aware of the needs of the situation, I am not without hope that a policy will be discovered and adopted which will indefinitely maintain the prosperity of the American people and at the same time enable the European nations to continue to purchase the large quantities of American foodstuffs and raw materials of which they are so much in need.

The editors would appreciate the comment of readers on this article. Should the number and quality of the replies merit, space would be set aside in an early issue for a general discussion of this subject. We would particularly welcome comments from our banking and business men readers on whether they agree with Sir George Paish that we are near the end of our credit facilities.

Preferred Stocks a Neglected Field for Investment and Profit

Investors Should Now Change Their Indifferent Attitude Toward Preferred Stocks—Rich Rewards to the Discriminating Buyer

By GEORGE B. COLLINGWOOD

THIS article is the result of an independent investigation into the nature of preferred stocks as investments and as profit vehicles. It completely demolishes the theory which has militated against the popularity of preferred stocks for many years. The intelligent investor will find an enormous value in the findings contained in this article.

POPULARLY, investors divide all securities into two large groups—bonds that have a prior claim upon assets and a fixed rate of return, and stocks that are entitled to all the profits and losses of a business, after fixed charges, with returns varying all the way from zero to gigantic sums.

Preferred stocks, being midway between these two have been regarded a little askance. It is forgotten, however, that most securities are somewhere between the perfect first mortgage bond and the perfect voting common stock. Thus, we find junior mortgage bonds, collateral trust securities, general mortgage securities, debentures, income bonds, adjustment bonds, etc. And among common stocks, the "A" and "B" shares with all types of provisions as to dividends, assets, redemption, voting, participations, etc., form other intermediates.

In this catalogue, one should not forget the innumerable rights, warrants, scrips, conversion features, dividend participation certificates, etc., Even among preferred stocks we find first and second preferred stocks, prior preference and preference, apart from first and second preferreds (there are companies with all four) and all types of deferred preferences: provisions as to cumulative dividends, present or delayed, participations, conversions, warrants, etc. Palpably, if the investor were to confine his attention only to prime mortgage bonds and simple common stocks, he would obviously shrink his opportunities for profit to a minimum.

Hence, the old saw about preferred stocks having the bad qualities of bonds and stocks and the virtues of neither, the characterization of them as "compromise securities," the common statement of their falling between two stools, are all seen to rest on a misconception. This misconception assumes that preferred stocks are the only intermediate securities, whereas, in point of fact, a clear majority of securities are "intermediate securities." These cheap and easy characterizations have the great vice that they distract investors from a careful study of a group of securities, which, especially at this time, may be a source of great profit.

Preferred Stocks in the Present Market

Scarcely one stock market expert believes that we are on the verge of another roaring bull market on top of the great bull market of 1924-6. In fact the long-term trend of securities has tended downwards since the Spring, and few expect any sharp reversal of the trend. On the other hand, it is granted freely that specialties among common stocks, a great many of the rails and practically all bonds will score marked gains.

With the speculative qualities of common stocks, this article is not concerned, but it is concerned with the position of the investor who seeks more than a bond yield, and yet wishes to see some notable appreciation in market value as well.

Among investment common stocks his choice is restricted, since all junior securities are affected more or less, as a group, by prevailing stock market tendencies. If, therefore, there is any *group* of stocks likely to bear up and even improve in the face of a general recession, the task of the investor is by that much simplified. Preferred stocks and junior bonds, are alone among the possible candidates for this position. Many junior bonds act exactly like preferred stocks, market-wise, so that a consideration of the factors likely to influence the price of preferred stocks is decisive for most junior bonds also.

The following questions must be answered in this inquiry:

1. Do preferred stocks advance in price with common stocks during a market upswing?
2. Do preferred stocks decline in price with common stocks in a bear market?
3. Or do they fluctuate in price only with bonds, being governed by interest rates and commodity prices?
4. Are bond movements and common stock movements contradictory of necessity?
5. Do all preferred stocks act pretty uniformly much as bonds do?
6. If preferred stocks show differences what governs their different price movements? Senior equities? Junior equities? Earning power? Redemption price? Amount of issue? Seasoning? Type (industrial, rail, utility)?
7. If equities count, do they count as an absolute amount, or as a proportion of total capitalization?
8. Does market value of junior equity (that is, of common stocks) count in determining preferred quotations?

9. Do preferred stocks vary as widely as common stocks in either upswings or downswings?
10. Should prices of preferred stocks in last ten years be adjusted for purchasing power of commodities exercised by their dividends?
11. Of what value are cumulative, participating, conversion, voting, and other features to preferred quotations?

Upon the answer to these questions, together with an analysis of the present stock and bond market, depends the investor valuation of preferred stocks today.

The Case Against Preferred Stocks

Before opening up the results of THE MAGAZINE OF WALL STREET investigation of preferred stocks to the reader, it is necessary to point out that critical investigations of preferred stocks have been made before by competent authorities, and that the result of these investigations has been almost uniformly unfavorable to preferred stocks. For example, Harvard University studies have been so adverse that they are summed up by Professor Dewing as indicating that industrial preferred stocks, as a group, form a poor investment. None of these findings relate to railroad or utility preferred stocks.

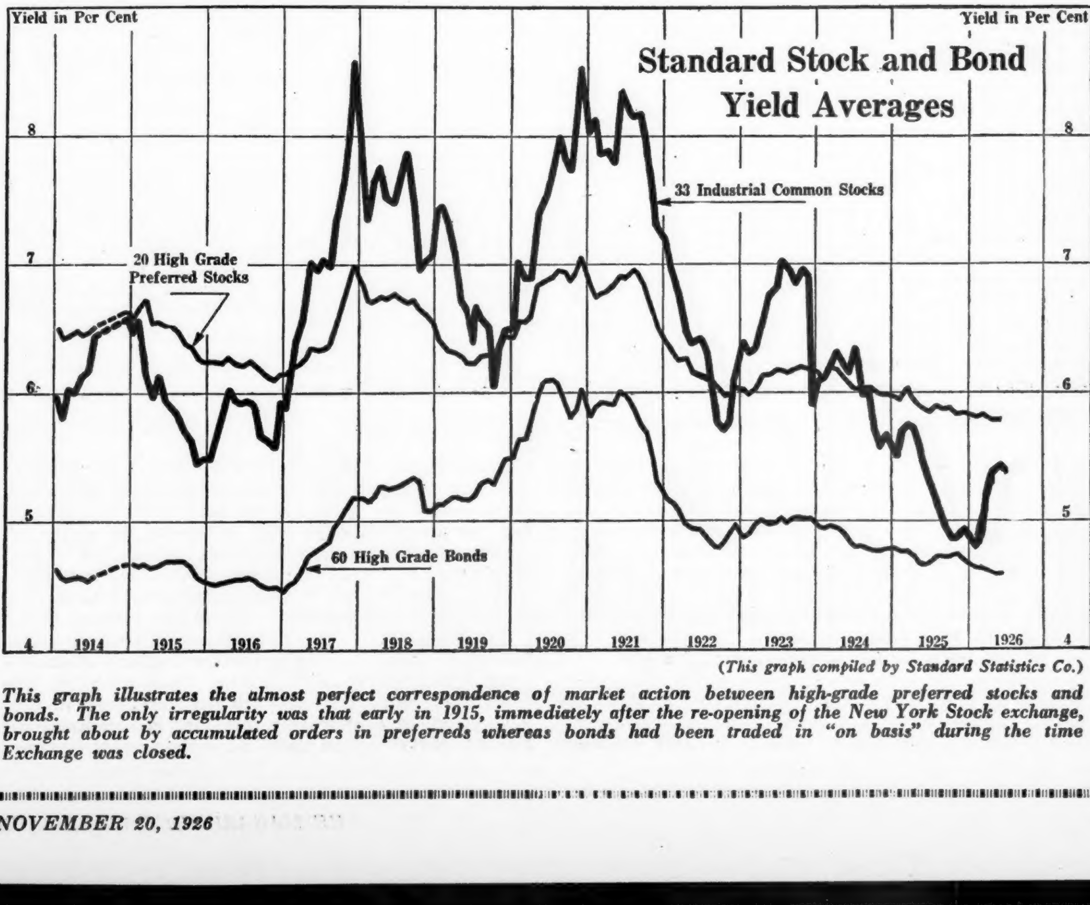
In one investigation, out of 537 stocks considered, 249 were issued in the orgy of post-war inflation, viz—1919-20. All were issued from 1915 to 1920 at a time when industrial profits were fantastic and could only recede. A more extended investigation of 1,477 issues from 1880 to 1920 disclosed a shrinkage in value of one-fourth, in the period covered up to January, 1923. It is fortunate indeed that the common stock flotations from 1880 to 1920 were not considered parallel to the preferreds. It would demonstrate to the ordinary investor that out of so gigantic a number of issues, if average recession was only one-fourth in so great a space of years preferred stocks may be considered a sterling investment, for the number of businesses that set out to make money show six out of seven falling by the wayside inside of a generation.

Probably, three out of every four common stocks floated since 1880 are now in the cemetery. Railroad bonds have shown conspicuously large losses, especially those issued before 1893. Also it is admitted that this classification of preferred stocks shows greater and greater soundness, the larger the issue. Hence, these large industrial issues are admittedly an excellent group. Incidentally, the Harvard studies did not even conclusively demonstrate that the net return to the investor on preferred stocks was less than that on medium grade bonds. One valuable feature of their studies, though, which may be accepted as conclusive, were those indicating that preferred stocks with special features such as participating, convertible or bonus provisions, fared no better than ordinary preferred stocks. The reason is not stated, but, deductively would appear to rest in the fact that added inducements to purchase a stock sometimes cover a defect in quality.

Will Preferred Stocks Participate in a Bear Market?

In considering the action of preferred stocks, it is best to take up their 1925-6 record, since recent market developments are a clue to present market conditions. The Dow, Jones average of 20 leading industrial stocks should be compared with the Standard Statistics average of 20 high-grade preferred stocks. In 1925-6 the high-grade preferred industrial stocks showed average quotations that did not at all parallel that of the common stocks of the same calibre either on the upgrade or the downgrade. The average price of the very highest-grade preferred stocks rose by 2% from January, 1925, to July, 1926, whereas the common stocks rose in the same period by 30%.

On the other hand, whereas in February, 1926, the peak of the bull market was reached for common stocks, by April a decline of 17% had ensued. Yet, in this period preferred stocks of the same investment



(*This graph compiled by Standard Statistics Co.*)

This graph illustrates the almost perfect correspondence of market action between high-grade preferred stocks and bonds. The only irregularity was that early in 1915, immediately after the re-opening of the New York Stock exchange, brought about by accumulated orders in preferreds whereas bonds had been traded in "on basis" during the time Exchange was closed.

Comparative Rating Table of Listed Preferred Stocks

In Order of Par Value of Shares Listed

Industrials

Name of Issue	Amount Listed (millions)	Dividend Rate $	Call Price	Senior Equities (millions) (par value)	Junior Equities (market value)	Recent Price	Yield %	Rating
U. S. Steel	360	7	No	350	700	129	5.42	(B)
Standard Oil of N. J.	199	7	115	..	870	116	6.03	(B)
General Motors	105	7	125	..	1300	118	5.93	(A)
Bethlehem Steel	95	7	No	200	82	103	6.75	(A)
Du Pont de Nemours, deb	79	6	125	..	444	106	5.63	(B)
U. S. Rubber, 1st Pfd	69	8	No	111	50	106	7.54	(A)
International Harvester	64	7	No	..	132	124	5.65	(B)
Armour & Co. (Del.)	63	7	110	60	K	93	7.52	(A)
Goodyear T. & R.	61	7	110	76	26	103	6.79	(A)
Jones & Laughlin	60	7	120	15	63	114	6.13	(A)
Armour & Co. (Ill.)	59	7	115	50	30	84	8.33	(C)
American Tobacco	52	6	No	..	240	110	5.45	(B)
Continental Baking	51	8	110	..	35	89	8.99	(C)
Int. Mercantile Marine	51	6	No	36	4	36	...	(C)
Am. Smelting & Refining	50	7	No	50	78	119	5.87	(A)
American Woolen	50	7	No	11	12	79	8.75	(D)
Cuba Cane Sugar	50	7	120	25	4	39	...	(C)
American Sugar Ref.	45	7	No	30	46P	103	6.79	(A)
General Elec. Special	43	6	11	2	580P	11¼	5.33	(A)
American Can	41	7	No	..	125	125	5.60	(B)
Allied Chem. & Dye	39	7	120	..	280	120	5.83	(B)
Am. Locomotive	38	7	No	..	80	119	5.87	(A)
Deere Co.	37	7	No	..	M	108	6.48	(A)
B. F. Goodrich Co.	36	7	125	37	30	96	7.29	(A)
Pittsburgh Coal of Pa.	35	6	110	8	10	78	...	(D)
Central Leather	33	8	N	14	3	52	...	(C)
Ward Baking	31	7	110	5	21	89	7.86	(C)
United Drug, 1st Pf. (Y)	32	3.50	60	12	64	58	6.03	(A)
International Match (S)	31	3.20	No	..	M	63	5.08H	(A)
American Car & Foundry	30	7	No	..	60	123	5.69	(B)
Baldwin Locomotive	30	7	125	7	23	112	6.25	(A)
International Paper	28	7	115	70	30	96	7.28	(A)

Railroads (T)

Name of Issue	Amount Listed (millions)	Dividend Rate $	Call Price	Senior Equities (millions) (par value)	Junior Equities (market value)	Recent Price	Yield %	Rating
Atchison	124	5	No	276	350	100	5.00	(B)
Union Pacific	99	4	No	415	355	80	5.00	(B)
Wabash "A"	69	5	110	93	28	73	6.85	(A)
Baltimore & Ohio	60	4	No	548	155	72	5.55	(A)
Southern Railway	60	5	No	292	140	94	5.32	(B)
Missouri Pacific	71	5	107½	305	32	88	...	(A)
Erie, 1st Pf.	47	4	100X	226	50	47	...	(A)
Chicago, Great Western	47	4	100	41	4	25	...	(C)
Reading, 2nd Pfd. (Y)	4[illegible]	2	50X	124	60	42	4.73	Too High
Western Pacific	40	6	105	38	20	81	7.51	(A)
Rock Island "A"	29	7	105	265	47	103	6.79	(B)
M-K-T	28	6	110	159	25	92	6.52	(A)
Reading, 1st (Y)	28	2	50X	124	95	40	5.00	(B)
N. Y., Chicago & St. Louis	27	6	110	109	64	103	5.82	(A)
Ill. Central	25	6	115	326	152	120	5.00	(B)
Rock Island	25	6	102	265	47	93	6.44	(A)
Norfolk & Western	23	4	No	120	222	84	4.76	Too High
Chicago & Northwestern	22	7	No	262	117	122	5.73	(A)
Chicago & Eastern Illinois	22	6	No	42	7	42	...	(D)
Kansas City Southern	21	4	No	53	13	65	6.24	(A)
St. Louis-Southwestern	19	5	No	69	10	77	6.49	(A)

Ratings—(A) Attractive. (B) Fair investment price. (C) Unattractive. (D) Speculative possibilities.

H—Ex rights.
K—All common owned by holding company.
M—No public market.
N—Subject to recapitalization plan.
P—Not pfd. as to assets.
S—Par $35.
T—Excluding St. Paul, owing to uncertainty and Gt. Northern, whose "preferred" is really common stock.
X—Right to redeem at par if permitted by law.
Y—Par $50.

grade actually improved their quotations fractionally.

It is interesting to note that industrial bond yields declined from 5.14% in January, 1925, to 4.92% in July, 1926, yields on a comparable grade of preferred stocks decreased from 5.96% to 5.83%. The improvement in preferred stock quotations was more in alignment with bonds than with common stocks. It would be futile to compare the yield on these high-grade preferred stocks with that of common stocks, since the yield of the latter is not always relevant in view of the dominance of speculative considerations. Despite the gain of 30% in quotations of common stocks the yields remained about the same. But the preferred stock yields are significant, since they cover a fixed payment group of obligations, although not compulsory.

So far as high-grade industrial preferred stocks are concerned it can be laid down as a rule that in bull and bear markets alike they disregard the action of common stocks and act with bonds. This class of preferred stocks, owing to their more attractive yield than that of middle-grade bonds are an ideal commitment in recessive stock markets. The finest average about 5.75% yield today. The only securities yielding more, and of equal merit, are the preferred stocks of underlying utility operating companies, which are often unlisted. Yields of 6 to 7% are not uncommon in this group, but, of course their salability is sometimes inferior to that of prime listed industrial preferred stocks.

Among industrial preferreds, regularly paying their full stipulated dividends, but which are not yet seasoned investments, a different market action prevails. True, in the upswing of January, 1925-July, 1926, they gained only 4% in quotations, thus resembling bond rather than stock movements. On the other hand, during the bear market last spring, they sold off fully 2% from their recent high. Such a movement, although infinitesmal in comparison with that of common stocks, which declined by 17% in the same period, yet shows a slight difference from the perfect unchanging position of the straight investment industrial preferred stocks.

Naturally, yields declined from an average of 6.94% to 6.73% in the 1925-6 period, comparable exactly to the decline in bond yields. *Hence, we may lay it down as a rule that the medium-grade industrial preferred stocks, as a group, resemble bond movements much more closely than they do common stock movements, but that in a sharp bear market a recession of 2 to 3% cannot be wholly unexpected.* For the short term speculator, this is a material consideration, since not only is a loss established, but these preferred issues do not regain their earlier market quotations with quite the ease that common stocks do. For the long term buyer, however, the reasonably assured average yields of 6.70% are quite attractive, and unless he chooses to sell within a year or two, so that a loss of 2% in quotations will reduce his effective yield from 6.70% to less than 4.70%, he can consider the commitments in this group as attractive. They are to be recommended only for yield over a long period, however, as their market action is somewhat more volatile than that which should prevail for a pure investment. To increase the yield average of a group of investments, though, carefully selected unseasoned preferreds are one of the very best choices. If too many of them are present in an investment list, however, it may be considered unbalanced.

Speculative Preferreds No Better Than Common Stocks

Any preferred stock paying its dividends out by "the skin of its teeth," or which has suspended dividend payments, is, of course, a mere speculative security. As such it acts in accordance with the common stock market, having no resemblance whatever to the bond market action. For example, non-dividend paying preferreds, among industrial stocks rose from an average price of 53% of par to one of 66% of par in the January, 1925-July, 1926, period. This is a gain of about one-fourth or somewhat less than the rate of gain recorded by common stocks in that period. On the other hand, in February, 1926, they attained a high of 72% of par, only to fall to 63% of par in April. They declined by an eighth in a bear market, whereas highest-grade industrial common stocks showed a decline of a sixth.

It follows that in a bear market even these lowest-grade preferred stocks will not show the same decline as investment common stocks. Of course, the rate of gain is not equally as large, also, in case of bull markets. These stocks are so similar to investment common stocks, though, that they are not to be preferred to them, because investment common stocks, especially those thoroughly seasoned, yield some dividends, which limits the extent of market losses. *On the other hand, the speculative preferreds in a bull market are much better commitments than lower—grade common stocks, since an advance to higher levels, portends a large dividend in the offing.* Those who remember the advance of Missouri Pacific preferred will have reason to observe this peculiarity of speculative preferreds.

It is to be noted that one general market consideration governs for preferred stocks. They lack the wide range of quotations characteristic of common stocks of the same grade. A splendid example is shown in the action of the utility stocks during their price orgy last winter. Common stocks of holding companies, because of the speculative possibilities of their obtaining all the residual profits of large utility systems sold to thirty or forty times annual earnings, where the 7% preferred stocks of underlying operating companies were selling monotonously at par! At such moments the preferred stock is a heaven-sent opportunity.

Ten Years of Preferred Stocks

Hitherto we have considered three groups of preferred stocks as opposed to bond and common stock movements. This has enabled us to answer questions 1, 2, 3 and 5. It would be helpful, in answering the other questions propounded for the investor, to consider the individual action of preferred and common stocks over 10 years. The decade 1916-1925, the last completed ten-year cycle has been taken as a basis for study.

Among industrials, Allis-Chalmers common showed a low of 15 and a high of 97, the preferred a low of 65 and high of 109. This is representative for a normal industrial, subject to ordinary variations in earning power. A much more speculative stock American Agricultural Chemical shows a high and low for common of 113 and 10, and for the preferred of 103 and 18. Here we see that a terrific decline of earning power, after a certain point, militates against preferred as against common stocks.

High-grade preferreds show a much more stable history than Allis-Chalmers and American Agricultural preferred. In ten years American Bank Note preferred had a maximum range of 58-40, the common of 160-31. The speculative brilliancy of the common was lacking but a bond-like stability assured. The preferred movement coincided with the movement of bonds.

Among railroad stocks, speculative pick-up has been nearly as marked among preferred stocks as among common shares. Baltimore & Ohio preferred gained from its 1919 low of 38 to 67 in 1925, the common from 27 to 94. A more stable issue, Atchison common gained from 75 to 140 where the preferred advanced from 72 to 98. In the more speculative rails, though, the run-ups were closer. Erie first preferred rose from 11 to 49, the common from 7 to 39. Seaboard preferred gained from 3 to 51, the common from 2 to 54.

These varying individual results, together with hundreds of others were checked, and indicated that the group averages were correct. The best preferreds acted very much in comformity with bonds, but showed better gains with rise in earning power, the *(Please turn to page* 187)

"One of the Greatest Walkouts from a Labor Organization in History"

A Crisis Faces the Coal Unions

By WM. A. McGARRY

Of growing importance to the nation is the action that will be taken by the United Mine Workers of America in March, when the Jacksonville agreement runs out. That agreement was the result of the greatest labor victory in history but as shown now this victory seems entirely hollow. The coal miners, in many cases, are working in non-union mines though they themselves still hold cards in their unions. Observers agree that the unions may be faced with a gigantic walkout, unless their leaders prove exceptionally adroit. In any case, the situation is of intense interest and importance.

BETWEEN August 15 and 30 of 1922 the United Mine Workers of America obtained wage agreements from bituminous coal mine operators making what one side claimed and the other admitted—privately, at least—to be the greatest victory in the history of organized labor. The strike, up to that year, had been the largest of all time, involving directly more than 460,000 men, and even this figure failed to measure the full extent of union triumph.

Within a few weeks after the settlement, for one thing, wage increases had been granted to nearly all the non-union men who had not taken part in the strike. While these increases did not bring rates up to the union figure of $7.50 a day, apparently all that was necessary for non-union men to obtain this rate was to join the union. To all appearances the way was clear for complete organization of the bituminous fields. Starting the strike with a strength of 69%, the mine workers shortly after the settlement were claiming nearly 80% of the national soft coal production.

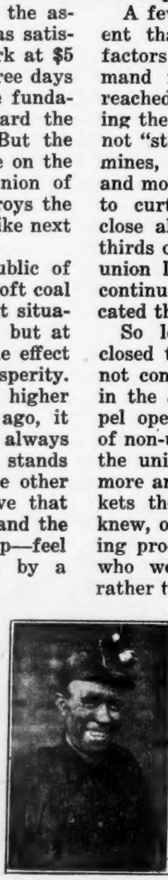
Today, when the Jacksonville and Baltimore agreements based on the strike settlement have only a few months to run, the situation with respect to production has been almost completely reversed. At least 70 and possibly 80% of the output is being mined by men operating under the open-shop or non-union plan, or under sectional agreements with their employers. The wage terms of these operations show a wide variation, but generally speaking, the rate that has replaced the union scale is $5 a day.

On the surface this summary would indicate a collapse of the United Mine Workers comparable in its extent to the victory registered five years ago. Whether the cause be ascribed to the "conspiracy" to wreck the union, charged against the operators by John L. Lewis, president of the United Mine Workers, or to the pressure of economic law put forth as an explanation by the mine owners, the fact remains that Lewis and his associates have not been able to hold the majority of their men to insistence on the $7.50 day.

To argue from this, however, that the union has lost domination in the industry in the same ratio as its loss of production, is equivalent to the assumption that the miners are as satisfied with four or five days work at $5 a day as they would be with three days at $7.50. It is a denial of the fundamental human inclination toward the course of least resistance. But the real danger of such an attitude on the part of the public, in the opinion of many observers, is that it destroys the only possible opposition to a strike next April.

An understanding by the public of just what has happened in the soft coal fields to bring about the present situation may not prevent a strike, but at lease it should serve to limit the effect of a cessation on national prosperity. Since this is now on a much higher plane than it was five years ago, it follows that the public, which always pays the bill in the long run, stands to lose more than ever. On the other hand, there is reason to believe that both the United Mine Workers and the operators—union or open shop—feel they have everything to gain by a strike, and nothing to lose.

The general reason for this attitude is that both miners and operators already have sustained heavy losses, and each side hopes to recoup. Insofar as the miners are concerned, the point frequently overlooked by outsiders is that while most of the production is now from open shop or non-union mines, it is not the output of strike-breakers. Former union miners have flocked



into the non-union districts because they were faced with the choice of taking $5 a day or not working at all.

It will be recalled that at the time the Jacksonville agreement was made in 1923 many operators whose mines had been completely unionized for some years signed more or less under protest, contending that $7.50 a day was too high. When this agreement expired a year later this protest had reached the point where some difficulty was experienced in getting all the operating groups making up the central competitive field to sign. Nevertheless, the agreement was continued in 1924 for a period of three years.

A few months later it became apparent that as a consequence of many factors combining to reduce the demand for soft coal, competition had reached the point where the mines paying the union rate of $7.50 a day could not "stand the gaff." One by one these mines, including some of the largest and most efficient in the country, began to curtail operations and finally to close altogether. By 1925 about two-thirds of the soft coal mines employing union labor were shut down, and the continued falling off in demand indicated that others must soon follow suit.

So long as these mines remained closed the United Mine Workers could not complain, since there was nothing in the Jacksonville agreement to compel operation. But as the percentage of non-union coal continued to increase, the union operators naturally became more and more worried about the markets they saw slipping away. They knew, of course, that this coal was being produced by their own union men, who went into the open shop mines rather than remain idle. In some cases, notably that of the Consolidation Coal Company, it was even stated that miners were working in the non-union mines and still occupying the dwellings of the unionized mines, which were not operating.

But now a new situation arose. According to nearly all the large union operators, their unemployed miners began to circulate peti-

tions for the re-opening of the mines at $5 a day, thus repudiating or rather abandoning the contract which was no longer any good to them. Mr. Lewis himself has admitted the existence of such petitions, although he has contended the number of men signing represented only a small proportion of the union members in any one district. The operators insist that men who did not sign, already were employed at the $5 rate in non-union mines.

At any rate the union mines began to re-open under new agreements with their employes, negotiated directly and ignoring the United Mine Workers. In one case—again that of the Consolidation Coal Company—it was stated that elected local executives of the Mine Workers were ousted by the national officers, and agents from national headquarters put in their places. Unquestionably, the great shift of miners from the union to the non-union operations was accompanied by a marked growth of internal dissension in the union, the full extent of which may be guessed by operators, but is definitely known only to Mr. Lewis and his associates.

Most of these developments have been rather widely discussed. There is one other, however, heretofore claiming little attention, which may prove more important than any of them. In many districts where operators thought the state of the market was not sufficient to guarantee even the $5 rate, mines have been reopened on a co-operative basis. A representative of the miners is named to sit in with the management. The latter takes the cost of operation, plus a charge for its services, out of the price obtained for the coal, and the remainder is divided prorata among the workers according to their own schedules. In some few instances, it is said mines are being operated on this basis without any charge for management service, the purpose being to protect the investment by holding the market.

The really remarkable feature of the whole muddle of over-production and varying wage scales is that Lewis has been able to hold any of the Jacksonville signatories to the agreement. But the fact that he has maintained a semblance of life in the contract in spite of the economic pressure is the strongest possible warning against public under-estimation of the union's strength. Most operators are convinced that Lewis will be re-elected without opposition worthy of the name when the miners vote in January. More than that, they are fully aware that his strongest issue will be the maintenance of the union wage scale.

One of the chief arguments within the union in favor of the $7.50 rate being upheld to the last ditch is the influence it has on the rest of the industry. It is contended that union miners working in non-union operations are able to get $5 a day only because the union rate is higher. The point of view of the mine workers is that a compromise to $6 a day in the union mines would mean $3.50 a day in the mines now paying $5. Miners are taking the $5 because it is the best they can get; not because they do not want $7.50 or as much more as they can get.

Soft Coal Miners at Their Work

John L. Lewis
President
United Mine Workers of America

Even those union operators who have been most successful in getting their men and markets back through local agreements at $5 a day are aware that the working strength of the union is not a fair measure of its strike strength. In the last strike union ranks were largely augmented by non-union strikers who climbed aboard the band wagon for what they could get out of it. It is conceivable that men who dropped out to avoid payment of dues may drop in again if they believe something is to be gained by a strike.

A fact of considerable importance—and the real explanation of why the $7.50 agreement has not been completely scrapped—is that many operators regard the United Mine Workers as the most powerful potential force for stabilization within the industry. Its record in this respect is without equal in any other industry up to the war period. The whole machinery of collective bargaining was the outgrowth of union activities away back in the eighties. Since then the industry has become so large, however, and so many complications of competition have entered into it, that most operators contend it is impossible to negotiate on a national scale and that future agreements must be made on a district basis.

At the time the strike was settled, one of the theories widely held was that if the union could achieve one hundred per cent organization it would automatically bring about reduced production and a higher average price, because inefficient, high cost, low production mines would be unable to pay the union scale. The fallacy of this, of course, lay in the fact that the United Mine Workers could not prevent common labor in other fields from entering the mines, except in a few states.

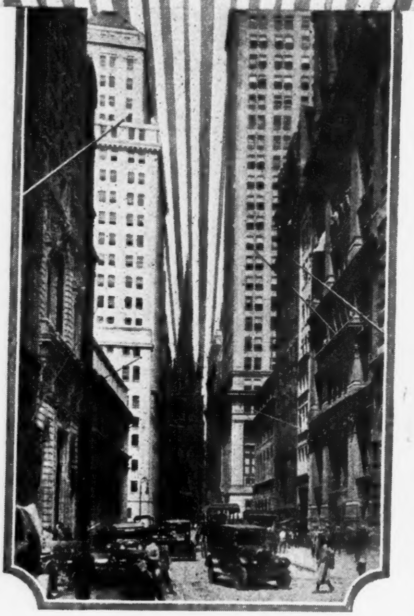
The great constructive development of the last few years—more or less the consequence of unsettled conditions—is the effort being made by groups of miners and by certain of the large operators to establish something approaching a personal relationship. One of the largest operators in the non-union fields of West Virginia has had in effect for some years a sliding scale of wages based on the price obtained for coal. To make this attractive he has adopted modern, aggressive merchandising methods, so that his coal may almost be said to be trade-marked and the price obtained is always relatively high. As a result, his operations have become almost trouble-proof.

If this effort depended altogether on the vision of the operators, it might look like a rather large assignment. The number of co-operative agreements made, however, indicates not only that many miners are thinking along the same lines, but that if only through necessity some of them have begun to question the judgment of union officials. Whatever happens next March, the Jacksonville agreement has demonstrated conclusively to soft coal miners that a wage rate cannot become operative until the coal has been sold. It has also demonstrated to union officials—whether they make public admission of the fact or not—that vast numbers of working men will not hold out indefinitely for a high wage rate that exists only on paper. The problem facing the union is not how to restore the Jacksonville agreement, but how to check one of the greatest walkouts from a labor organization in history. The solution will affect the entire union situation in the United States.

TRUE STORIES ABOUT WALL STREET

How the Original Plans of Many Companies Have Miscarried to the Unexpected Profit of Their Stockholders

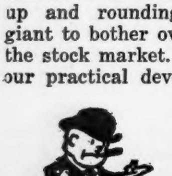
A NEW SERIES OF ARTICLES BY JACKSON G. CUTTING



WHO among us does not at times look wistfully back through the years to the time when we had a wonderful idea that, if only we had followed it through, would have made us rich and famous—or so we tell ourselves? And there comes to our ears in memory the knock of opportunity which some one has said is heard but once at the door.

We have a sort of idea that fame or fortune, or both, have come to others because of some inspirational flash, at a time when they had the leisure and the inclination to push it along. It is so that we think of Eli Whitney and his cotton gin, Henry Ford and his "road clutterers," Edison and his phonograph and electric light bulb, Bell and his telephone, Morse,—scores of others. We have the companion thought that to us would have come the same sort of fame with fortune had we been "in position" to follow up some of our own early ideas.

We get lots of pleasure out of the contemplative life when it leads us into these channels, but it is doubtful if we would have been any further along the road to fame and wealth had we followed the regretted inspirations than we actually are today. It's like the way so many of us talk of the "chances" we had to make fortunes out of the stock market. We can all remember the friend who advised us to buy Bethlehem Steel around 20 before it ran up to $700 a share—why, a 10-share lot could have been pyramided into millions, and at the top we could have gone short and played it all the way down—Heavens knows where we could have borrowed enough stock, but that's a detail. Even Charles Schwab hadn't the foresight, or too much possibly, to thus gather in all the loose coin of the nation. Chances are, he was too much concerned with building up and rounding out an industrial giant to bother overmuch with playing the stock market. That's the worst of our practical developers. They spend their time worrying over the payroll, anticipating the demands and requirements of trade, changing and adapting their equipment and product, instead of just dropping into a broker's office and putting up thin margins on sure things, which every one knows is the surest road to wealth.

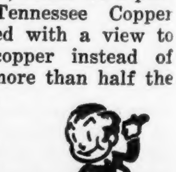


Well, that's the way our thoughts run on for a while, and then we return reluctantly to the task of wresting enough out of the daily job to keep things going, putting by a little something now and then against the rainy days that ensue every so often. When we do this we are more nearly emulating the wizards, the Napoleons of finance and the captains of industry than we realize. Of course, there is romance, and glamor, sometimes a bit of tragedy and often much of comedy in the stories of their successes, but it is doubtful if any of them ever considered themselves any more favored or lucky than you and I with our own daily monotonous tasks.

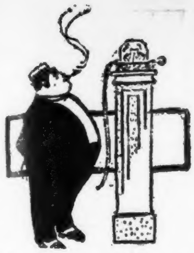
To them it was just a steady sequence of hard work, disappointments, disheartening obstacles, and petty annoyances which gave them no time to stand afar off and birds-eye-view their own work or dramatize their own progress. Often the things with which they wrestled most or thought of greatest importance came to be but of minor value, and did not figure at all in the final picture, merged indistinguishably into the background. This is particularly true of a great number of corporations which once were little one-man affairs but today are known by name and ticker symbol to hundreds of thousands of investors and stock market traders,—or else began life in one field of industry but were forced by misfortune into other channels of activity in which success was finally achieved.

Copper has been mined at Ducktown in Polk County, Tennessee, for seventy-five years. For a great portion of the time prior to 1899 the principal company was an English-owned corporation which went quietly ahead turning out probably thirty or forty tons of matte every month and shipping it to Bayonne, New Jersey, where it was refined. Matte, incidentally, is a blast furnace product running about 45% copper. The company was always in trouble with its neighbors for it was necessary to roast the ore in the open air before consigning it to the furnace. At all times there were several months' supply being roasted, and the resultant sulphur fumes spread over an irregular circle seven or eight miles in diameter, killing all of the vegetation in that territory with the exception of a bit of broom sage here and there. Farming was impossible.

The company experimented with pyritic smelting for years without success. Pyritic smelting means the smelting of pyritic ore without first roasting it in the open air. About 1899 the Lewisohn interests were attracted to the possibilities of the Ducktown area—some of the matte had been handled through their organization. Several of the nearby abandoned, or at least idle, mines were purchased, and the Tennessee Copper Company was formed with a view to producing refined copper instead of matte, thus saving more than half the freight rate on the final product.



But while the Tennesse Copper Company put in a decidedly more up-



to-date plant than the English company had, it could not overcome the sulphur fume trouble. In fact with two companies roasting ore the amount of smoke was tripled rather than doubled and the zone affected steadily widened.

This smoke nuisance was a real one. It was not merely an annoyance. Shortly after the sun would set there would come creeping over the landscape a thin hazy fog. Newcomers declared it smelled of sulphur. Those inured detected no odor. Gradually the fog would thicken and while it might have been possible to see one's hand before one's face the writer frequently found it impossible to see his horse's head or tail. One sat the saddle helplessly, glad that there was only one trail, and that the horse intuitively would follow it. The fog or smoke would not lift until the following forenoon when it would disappear suddenly, and one would be surprised to discover that the sun was shining brightly and that the mountain peaks twenty or thirty miles distant stood out as clear cut as though they were but a fourth as far away. All around, however, the land was bleak and bare, washed into deep ruts by every slight rain, for without vegetation there were no roots to hold the soil together.

Steadily the zone widened until the farmers went to court and obtained injunctions against the operations of the roasting sheds. This handicapped the copper producers, practically threatened them with bankruptcy for without roasting their ore they could not smelt it and there was no other satisfactory method of smelting the ore.

Scheme after scheme was tried to overcome the smoke nuisance. "Bag houses" were tried out, the Mineral Separations method installed and finally after some years success crowned their efforts. To put it frankly about the only way the copper mining company could operate was by going into the fertilizer business, making the copper a mere by-product although the success of the fertilizer business depended upon the continuance of the copper ore bodies. Plants were put up for the production of sulphuric acid, and instead of the sulphur fumes being allowed to ravage the country wide they were corralled and converted into acid.

The Tennessee Copper and Chemical Company was thereupon organized to refinance and reorganize the Tennessee Copper Company. The law suits and injunctions were settled and within three or four years the Tennessee Copper and Chemical Company had become the largest producer of sulphuric acid in the United States, its Ducktown plant having a capacity of 350,000 tons of sulphuric acid every year while a new subsidiary, the Southern Agricultural Chemical Company, built a plant with a capacity for 100,000 tons of acid phosphate a year. The production of copper was continued at about the old rate. It is interesting to note that the English company also worked its way out of its difficulties along the same lines. The once execrated sulphur content of the Ducktown ores proved to have a very substantial "nuisance value."

There comes also to mind the story of a young man who, twenty-six years ago, faced a crisis. He hadn't a regular job, but he had perfected an idea, and knew that if he could manufacture a few of his machines he could get along as well as or better than if he were working for someone else. But he had this problem to work out first: To make his product he needed a workshop, but the space would cost $20 a month and if he rented this working space he wouldn't be able to pay room rent for himself—while if he kept on paying room rent he wouldn't have enough left to rent a workshop, and might as well go out and look for a regular job.

The factory idea won, and in an unused corner of his workshop, he set up a cot on which he slept nights.

Now, just before this, the young man had been working shearing sheep and clipping horses, and as he couldn't get out of doing his full share of the work he studied for some method of improving upon the slow laborious method of using hand shears. He strove to perfect a mechanical clipping device, but was stumped by the fact that the clipper had to go all over the body of the animal,

and no two animals were built exactly alike. You couldn't trim off the wool or hair by putting the animal on a carrier or table and nonchalantly guiding it along a clipper as one would trim a board against a circular saw.

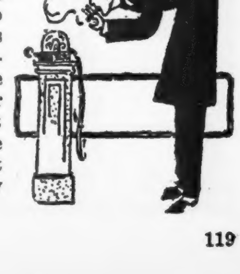
After much studying he evolved the principle of a flexible shaft—you can see the principle in operation today in the flexible shaft shears, grinding and clipping devices used by your favorite barber, or dentist, or by the few establishments where horses are still taken to be clipped. Not much, you may think, for a young man to get enthusiastic over, considering he had no capital, and had to make his own machines, sell them himself and build up his own market. And if the truth were known it is probable he often envied the other young men who had regular jobs and fifteen or twenty dollars coming in regularly every pay-day, but once started, he had to keep going for he hadn't time to do anything else but work up new business and manufacture his clippers with the flexible shaft.

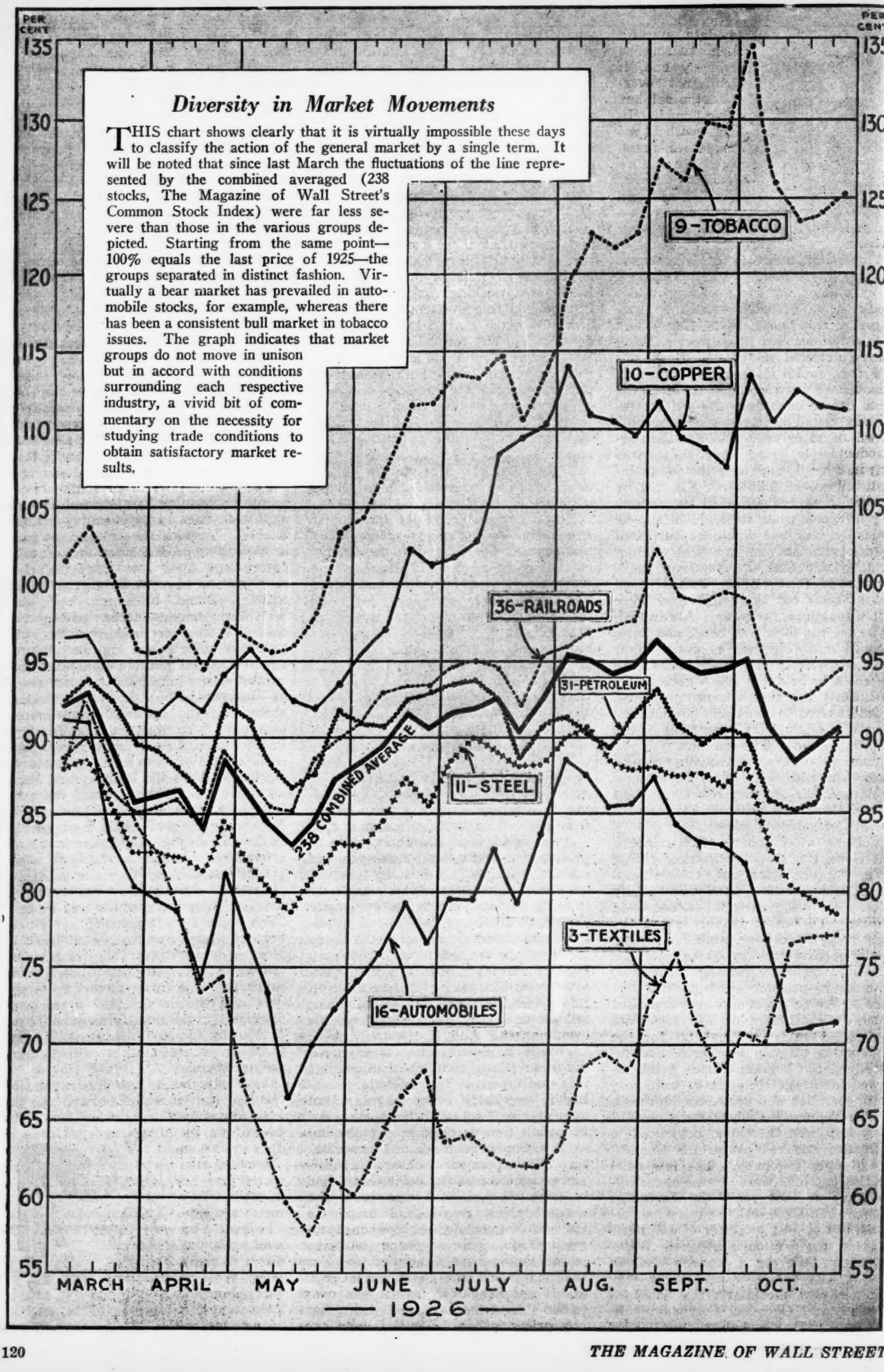
And here comes the point that I had in mind when I said that often the things which successful, famous builders of great industries thought of greatest importance merge into the background of the final picture. For the next time the "motorcycle cop" glides up alongside, crowds you over to the side of the road, and with great originality asks: "Hey, where's the fire?" you can tell him that the reason you know you were not going over "twenty-two or so" is that a country boy with a mechanical bent got tired of shearing sheep by hand and invented a clipping device with a flexible shaft, the young man being John K. Stewart founder of the Stewart-Warner Speedometer Company. As the officer probably has a speedometer with a similar flexible shaft, the rest of it will likely enough be up to the judge, but you will have the satisfaction of having demonstrated that you are a man of erudition and a reader of THE MAGAZINE OF WALL STREET.

The flexible shaft clipper, even though it revolutionized the clipping of animals, was not a big producer of profits and income, and Stewart finally decided that the big idea wasn't the clipper at all, but the flexible shaft, and after a bit he found where that belonged in the auto world. Thereupon the Stewart-Warner Speedometer made its appearance, with the flexible shaft connecting the dashboard meter with a cog wheel geared to the front wheel.

The business world presents almost countless similar instances, though most of them are purely of local interest. Accident has played its part in setting unprofitable or unfortunate enterprises upon the road to success, as we have seen in a previous article; Dame Necessity has also been the driving force, as in the case of the copper producers who were "afflicted" with an ore high in sulphur; and the logical pursuit of an idea has carried others out of their chosen fields as instanced by Stewart's flexible shaft. In the accident group might also have been included the Texas & Pacific Land Trust, originally organized to hold title to lands granted to the Texas & Pacific Railway and lying on either side of the right of the way. For years these lands were used merely for the grazing of cattle, and no one in the wildest flights of fancy ever considered the land as having any other potentialities. The stock sold generally under $200 a share whenever there was a transaction in it, which was seldom. Then came the development of Burkburnett, Ranger and other oil fields in North Central Texas, followed later by the discovery of oil on the Land Trust property. The cattle gave way to the drill and the derrick, the corral was displaced by the tank farm—and Texas & Pacific Land Trust stock crossed $1,000 a share and is still holding around there.

These are but a few illustrations of the fact that it would be well for the average organizer of an industrial or commercial venture to adopt as his motto the caption of the once popular ditty: "I don't know where I'm going, but I'm on my way."





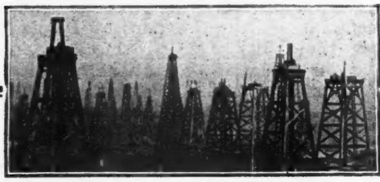
Diversity in Market Movements

THIS chart shows clearly that it is virtually impossible these days to classify the action of the general market by a single term. It will be noted that since last March the fluctuations of the line represented by the combined averaged (238 stocks, The Magazine of Wall Street's Common Stock Index) were far less severe than those in the various groups depicted. Starting from the same point—100% equals the last price of 1925—the groups separated in distinct fashion. Virtually a bear market has prevailed in automobile stocks, for example, whereas there has been a consistent bull market in tobacco issues. The graph indicates that market groups do not move in unison but in accord with conditions surrounding each respective industry, a vivid bit of commentary on the necessity for studying trade conditions to obtain satisfactory market results.

Why Oil Securities May Lead the Next Bull Market

Part II

By BARNABAS BRYAN



THIS significant set of two articles, the first of which appeared in the November 6th issue, throws a great deal of light on the oil situation, present and probable. Of immense interest to investors is the section of the accompanying article tracing the oil developments in various parts of the world. This is the first time, we believe, the layman has had the opportunity of seeing exactly what is going on in oil abroad. Of additional interest is the section devoted to competition between the various Standard Oil companies.

THE unit operation of oil pools is a form of monopoly. It would establish actual ownership of oil in the ground and enable the owner to prevent overproduction at any stated price, by shutting down or restricting production and buying in the open market. With dual or multiple ownership within the same area unit of production, there is no ownership of the oil until it is produced, for wells on one part of the field can rob oil from another. Therefore, while this condition lasts, there can be no general control of production to meet demand at the producer's idea of price and overproduction results.

This control of a complete oil pool has been the rule in all foreign production excepting only Rumania, Poland, Russia and Mexico, while it now holds in Russia and most of Mexico. It is rapidly gaining in the United States, as witnessed by the shut-in production at Salt Creek, in California, and in scattered properties over the Mid Continent. If all crude production in the United States were today truly competitive within each oil field, production would be at the rate of more than one billion barrels per year and many more companies would be bankrupt.

There is nothing reprehensible or open to attack in this desire of the industry to own its raw material. Every command of sound economics and good business leads in that direction, but likewise it leads to the elimination of crude production at a loss, which can only be accomplished at increased prices. When sufficient pools have passed to unit operation, there will be no more floods of free oil to break prices, for during periods of uncontrolled new flush fields the old pools will be shut in sufficiently to keep the situation in hand. It would make no difference if there were a thousand pools owned by a thousand companies, for no one wishes to produce at a loss. The price of oil would then be based on the cost of production from small wells instead of from large wells as is the case today.

Eighty-five per cent of the oil produced outside of the United States and Mexico is controlled by a few groups. In 1925, this total foreign production was about 185 millions of barrels, of which less than 27 millions was produced under American conditions of competition. The Russian monopoly produced 27.6% of the total, Anglo Persian-Burma Oil 18.9%, Royal Dutch about 26% and Standard Oil about 6% with an additional potential of 10% in Colombia. In most cases the potential as well as the known fields of the country are completely in the power of the local monopoly. With this in mind it is easy to understand that foreign production has little more than local effect on oil prices, but is itself much affected by prices within the United States. Large companies which control the fields of an entire country produce only such an amount as can be sold at prices satisfactory to the company.

Plate 4 (first three plates were published in first section of article, Nov. 6 issue) shows that this condition of the foreign industry is not a new or accidental thing. It is put on a percentage scale to show the striking trend of the last seven years. The top curve shows total yearly production foreign to the United States and Mexico. The middle curve shows the amount of that production at present under unit control of pools, while the lower shows the amount where there is some competition within the pools. Since the boom oil year of 1919, the trend has been upward at a constant percentage rate indicating an increase to 910 millions of barrels in 1935. This striking trend makes a hard argument against the man who talks of a world shortage of oil. However, this trend will not be maintained, for reasons which will appear below in the discussion of the prospective and producing countries.

AFRICA The present production of the whole continent of Africa is less than two million barrels a year in Egypt, plus an insignificant amount in Algeria. Present knowledge suggests that the continent will never be much more important as a producer than at present, for the northern section is too broken and steeply folded, while the fringing possibilities of the south have as yet to prove anything more than small residual quantities of petroleum. Madagascar would be of importance in a shale age, and may produce some oil.

EUROPE Poland, Rumania and Russia are the only oil exporting countries of Europe and also the only ones which indicate that they will have oil for export in the future. All three were developed with small land ownership and intense competition at times. Now Russia has become a monopoly through revolution and Poland lies stagnant through financial distress, while Rumanian production is rapidly growing.

Oil drilling in Poland is difficult and expensive because of the hard layers of rock standing on end, while the geology is the most complicated of any oil field of the world. There may be more Boryslaw fields, which will be found through the stimulation of price some day, but not before the political and financial conditions of the country have given the industry greater freedom of action. At best, Poland cannot long increase its present rate of pro-

duction or ever be more than a local factor in world oil.

Rumanian production may be doubled during the next few years, while a larger increase is possible. Drilling difficulties are not very important and the fields are in sands well adapted to high concentration and large pressure, but the sands flow with the oil and make extra expense in production. Recently the introduction of deeper drilling, the completion of wells with the rotary drill, and the control of production so that the well never flows free have done much toward making the resources of the country profitable and available. Much territory with large promise of production still remains unexplored by the drill, while the small peasant form of ownership of the oil lands makes the actual control of complete production units very difficult. The oil industry will aid greatly in the future prosperity of Rumania if the government and the oil companies can co-operate to their mutual benefit.

Production from Russia is only limited by the ability of the Soviet administration to handle the oil situation. Gradual progress has been made from the beginning and now a personnel has been developed which speaks well for the future. The resources of the country are known to be second only to those of the United States, and the drill may have further surprises in store. Throughout almost all of its history, the Russian industry has experienced overproduction of crude as bad as that in America during the past five years. There has been no general motive to expansion. There have never been as many true wildcat wells drilled in Russia as are put down every year in some American states.

The striking feature of Russian oil is that exports in 1925 exceeded all previous records. Were it possible for this expansion to proceed, some of the oil might eventually reach America at a future possible cost, but internal Russia has been starved of oil to promote exports. The chaotic condition of the country has made it difficult for the oil industry to collect its bills for home consumption, while the foreign market offered cash in gold. Should the economic condition of Russia make possible a major increase in crude production, there can be no doubt that the home demand would grow insistent, there would be the ability to pay, and the amount of oil left for export would be a matter of serious question.

ASIA Asia and the Far East are very completely monopolized in their oil future. The accessible part of Persia is a British Naval reserve, the northern provinces are uninviting, Mesopotamia will be an internationally controlled monopoly, India is open only to the British, with Burma Oil dominant, and the East Indies are firmly held by Royal Dutch, while Japan and Sakhalin will continue decidedly Japanese. The remaining territory is problematical. Arabia does not resemble Persia, Siam and the lesser countries offer but poor prospects, Australia and New Zealand cannot expect to become exporting or even self-supporting countries except through shales, while China and Siberia do not offer any hopes commensurate with their transportation difficulties. Any oil coming to America from the Far East will be monopoly oil at conservation prices.

Persia in some ways resembles Mexico, for one well can drain a large area which has free communication in the oil formation. All the commercial production has come from one field, while quite a number of outside wildcats have been dry. During the past two years, the producing field has been enlarged by wells which show the main structure and its subsidiary dome to be oil-bearing throughout. This amplifies safety but does not justify larger transportation facilities until further discoveries are made. A second field has been opened at Naft Khan in the transferred territories, where a large field may be developed. This will require a separate long pipe line before the oil can be marketed. Conservative management, and the Navy, will not allow Persian production to advance as rapidly in the future as in the past.

Production in the East Indies could be expanded rapidly if Royal Dutch chose to make the effort. Conditions of work are difficult, and labor is irregular in its desire to work, yet far eastern market needs are met, and there is some excess gasoline coming to Europe and paraffin to the United States. Why crowd matters in order to compete with cheap American oil? Standard Oil has obtained a foothold in Sumatra through taking concessions which Royal Dutch thought valueless, but the colonial government has shown in the recent allotment of concessions that the American company is not welcome. Under such conditions America will not draw much of that foreign supply from the East Indies.

SOUTH AMERICA From the above consideration of other countries it is possible to conclude that Mexico and the northern countries of South America are the only source of foreign oil available to the United States. In South America there is almost no competition within the limits of any oil field except on the eastern shore of Lake Maracaibo, where Gulf and Lago have owned small areas on the edge of the La Rosa and neighboring high pressure fields. Even that instance is passing, for these companies are working together in the effort to avoid future town lot drilling such as took place at La Rosa. Argentina and Bolivia must develop much more oil than is now in sight to meet the large market in the Argentine before there can be any prospect of exports, while Chile and Brazil have no indica-

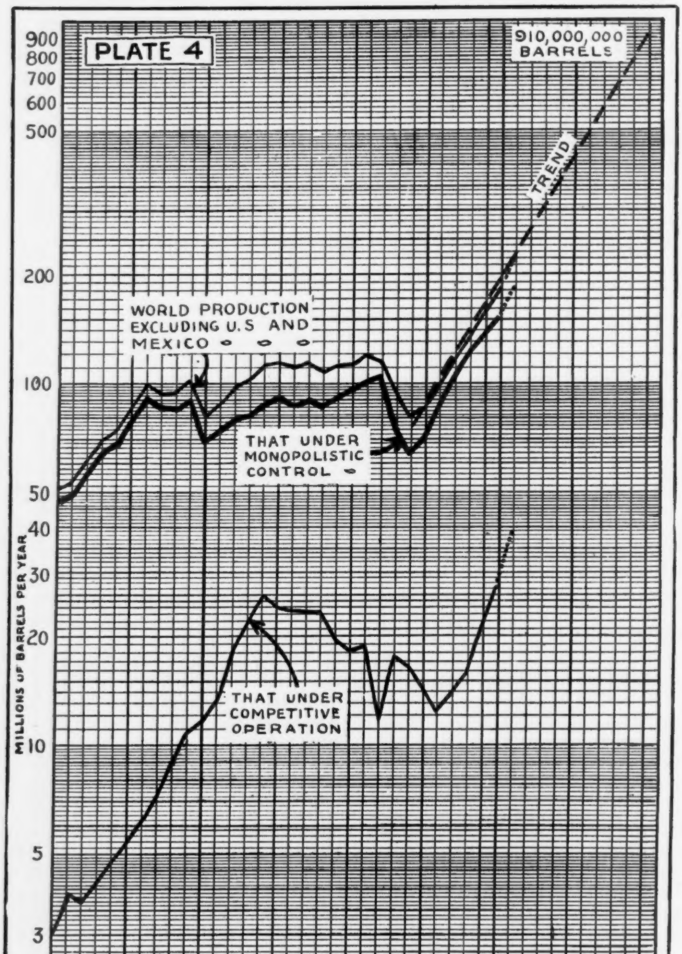


PLATE IV.
Top curve shows world production foreign to U. S. and Mexico. Middle curve shows that part under control of local monopolies. Lower curve shows that part under competitive control. Note the trend of the total.

tions except of a secondary character which are not ever likely to meet domestic needs.

Two important companies operate in Peru, but in different pools which they completely control. One company buys the production of the other and there is no competition in refining. Present production, about one twenty-fifth of that of California, can be maintained for many years, but there is no indication that it would suit these companies to force production to the limit, for less inducement than an actual oil famine.

Colombia has one very wonderful property in production today while wells in other localities have been a sad disappointment. The present pipe line and that now building can be kept full for a long period, and new developments may justify further expansion. The oil will be disposed of according to the wishes of Standard Oil. Some other properties look as if they justify more prospecting than is in progress at present, but even after discoveries are made there will remain large problems of development and transportation. To say that imports from Colombia may be as important to the United States as the production of the state of Wyoming is a hopeful statement.

The future of Venezuela is commonly underestimated from the standpoint of Royal Dutch and overstated in relation to the prospects of American companies. The Royal Dutch properties were acquired in 1912 and 1913 when the average American oil man was not interested in foreign oil and Standard Oil was passing through a period of readjustment consequent to the injunction of 1911. How well the Dutch company succeeded in taking the major resources of the Maracaibo region is shown by the fact that at the end of 1925, 71% of the oil produced to date was by Royal Dutch, while 10% more was English-owned and controlled by purchase. Thus far, after the expenditure of many millions of dollars, American interests have production in a strip on the flank of the La Rosa-Lagunillas group of pools, which lie in the Royal Dutch-controlled District of Bolivar and extend over, more or less, into the lake. Recently a small pool has been opened by an American company in Falcon and another in Buchivacoa, and General Asphalt has started shipments of a very heavy oil from its wells at Guanoco. The American companies have the choice of working in a region where all surface evidence is lacking or else in steep narrow structures, where the conditions necessary for important fields are not present.

The Royal Dutch properties are still unmeasured in greatness. Mene Grande remains undefined in area and depth; Colon concession has only a few prospecting wells thus far; the district of Maracaibo is being developed in the slow, safe, monopolistic way, while the district of Bolivar has in the main, been drilled only along the lake shore where there is competition. Were these Royal Dutch properties opened today to American methods of competition the V. O. C. areas would rise to 500,000 barrels per day within two years, while Mene Grande might reach 300,000. But Royal Dutch seems fully committed to the policy that oil prices of the future will rise faster than carrying charges, and while there is no fear of an oil shortage it is good business to hold back controlled production to the needs of its various subsidiaries and its ambitious program, until the orgy of cheap American oil is past. Venezuela will never follow the history of Mexico as a price breaker.

NORTH AMERICA If the oil men or the Mexican government knew just where to turn for the fields which would bring Mexico back to its former glory, there would be no difficulty about operations. But they do not and the government has learned well the taste of salt water. Both groups know that the Panuco region may be extended north and northwest, but that the discovery of what may or may not exist elsewhere is a difficult problem, involving great expense and discouragement. Such finds as the new Altamira pool on a large tract belonging to Gulf increase future hopes but do not change this condition. The present fields are not near exhaustion. New productive spots will be found in and about the Panuco region, where large tracts tend more and more to make new discoveries belong to one company exclusively. In this field every well is a wildcat, for wells offsetting production are often dry and there is but little possible guidance to new locations. In the south fields a reserve of unknown amount extends from Cerro Azul to the Tuxpan river. This production is largely shut-in and will only be opened cautiously, for the owners probably have no definite idea as to how much oil remains and how soon the wells would embarrassingly start showing sediment or salt water.

No other country north of Colombia except the United States has given any evidence of large scale production. Central America may have a few scattered pools and Cuba will produce considerable oil when certain financial interests lose their prejudice in the matter. Some prospecting is being carried on in Nova Scotia and Prince Edward Island. The accessible parts of Alaska have been very discouraging. In Alberta, the wonderful Royalite No. 4 well has proved profitable through the immense production of gas and the gasoline condensed from it. It shows that at places in the foothill belt other similar production may be found, but the wells are deep, the strata very steep, the drilling slow and the fields of very limited areal extent: not the conditions which flood the world with cheap oil.

In connection with the "expected" cheap supply of foreign oil, it is worth while to note gasoline prices at various places, keeping in mind that due to transportation and

(Please turn to page 176)

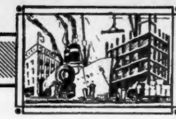
Twelve Oil Stocks Worth Holding for Long-Range Profits

Reprinted from Nov. 6 issue, as these issues are still available at attractive prices.

	$ Earned 1925	Price	Div. ($)	Yield (%)
California Petroleum	3.50	31	2	6.4
Gulf Oil of Pa	7.97	90	1.50	1.6
Humble Oil	12.93	56	*1.20	2.1
Marland Oil	8.38	53	4	7.5
Phillips Petroleum	6.48	49	3	6.1
Prairie Oil & Gas	6.58	50	2	4.0
Royal Dutch	3.10	49	†3.03	6.1
Shell Union Oil	1.86	30	1.40	4.6
Standard Oil of N. J.	4.72	43	1	2.3
Standard Oil of N. Y.	3.63	32	1.60	5.0
Texas Co	6.02	55	3	5.4
Vacuum Oil	9.74	97	*2	2.0

*Not including extras. †Paid thus far in 1926.

MONEY, CREDIT & BUSINESS



Present Condition Good But Outlook Uncertain

Building, Steel and Automobile Industries Chief Causes for Concern

PRESENT volume of trade and industrial output would be satisfactory by any comparison with previous years, but loses somewhat in bullish implication by comparison with very recent months. Practically all indices point to continued activity in basic lines with a record for railroad freight loadings, massive earnings for some of the leading industrial corporations, high output at factories, large employment at good wages, and a fairly satisfactory condition in retail trade.

Despite these excellent features, most of which represent past rather than present conditions, considerable misgivings are now being held by business men as to the future for the early part of next year, though most agree that conditions are not likely to change radically during the balance of this year. Of greatest concern is the situation in the three basic industries of building, steel and automobiles, all three of which now indicate a considerably lessened rate of activity, and, in the case of building and automobiles, the decline is not wholly accounted for by the usual seasonal ebb and flow.

Building continues at high levels, but can hardly be expected to make further gains or even hold to the present record. No really important let-down, however, is expected except in localities where over-building has already taken place. It is felt that residential building will slump, perhaps to a greater degree than at any time in the past few years, but that large construction work will, at least in part, take up the slack. Nevertheless, the total amount of building in the fourth quarter of the year is likely to be somewhat under that of the same period last year, and indications point to a somewhat similar situation during the first quarter of next year.

Competition in the automobile field has wrought havoc with a number of the smaller companies. On the whole, so far as earnings are concerned, 1926 has been a poor year for most of the companies. Margin of profit has shrunk to the vanishing point with the weaker companies; and some of those of intermediate size have seen what seemed an excellent year in the beginning turn to a period of receding earnings. The weeding-out process among the automobile companies continues, and seems likely to continue for some time yet. Present situation calls for considerable curtailment of operations, which is now in process. In some cases the curtailment has gone beyond the point usually accounted for by the seasonal let-down in the final quarter of the year. Fluctuations in production schedules are not now so marked as in former years, due to the almost exclusive manufacture of closed cars. Hence, with seasonal conditions in demand a small factor, it is obvious that the present decline in output is due to the fundamental factors either of over-production, falling consumption, or both. It is no secret in the trade that cars are not moving as easily as last year this time.

Basic Industries Lag

At this writing, steel production for the industry as a whole has dropped to about 76% compared with over 80% a month ago. The large sustaining factor in steel demand at present is the need of railroads, who are now increasing their purchases. On the other hand, there has been a marked shrinkage in automobile demand and agricultural implement makers have reduced their requirements. In addition, less steel is being used now in building, owing to the slight falling off in recent construction. With three out of four important sources of business for the steel industry thus reducing their orders, and railroad demand not sufficient to offset this loss of market, it is clear that steel business is likely to show a decline in the forthcoming months.

Other manufacturing activity is fairly satisfactory, such lines as textiles, shoes, household furnishings, hardware and electrical equipment are either holding up well or actually increasing their output.

Retail trade is being stimulated by the holiday season, and department stores show good business. On the other hand, mail order business has fallen off somewhat, probably due to the interruption caused trade by the economic situation in the South.

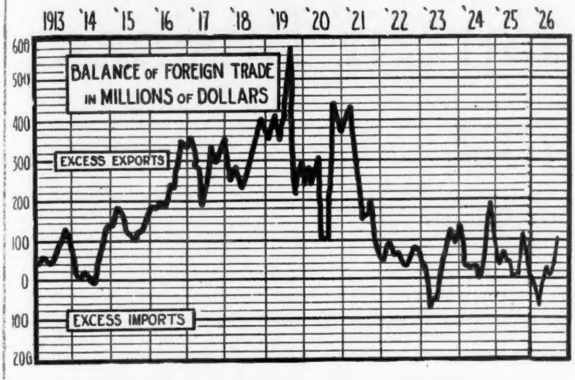
Owing to the fall in security prices, releasing about 200 millions in brokers' loans, money conditions have become somewhat easier, despite the prolongation of the period of crop financing. Since the outlook is that demand for commercial funds will not prove exceptionally large during the balance of the year and since there appears no indication of an important advance in security prices, these circumstances, in addition to the ending of the period of crop financing, should produce a period of somewhat lower money rates.

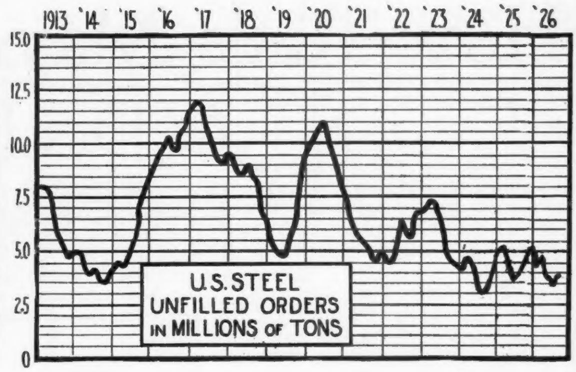
This situation has already been reflected in the call money market, where rates have dropped from an average of 5 to 4½%. There has also been some slight shading in the time money market and in commercial paper.

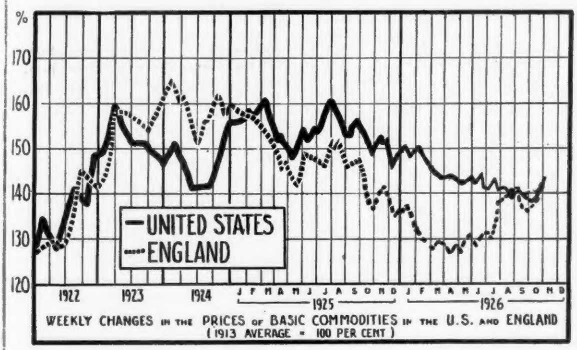
The change in money conditions is fortunate in respect to the position of cotton growers, since it will facilitate loans on the commodity and thus tend to hold off an appreciable part of the unprofitable crop from the market. This should tend to prevent any further material decline in cotton prices, which are now some eight cents per pound lower than prices of a year ago.

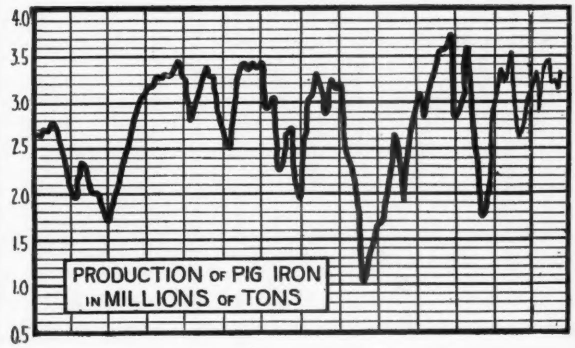
It cannot be said, with any degree of authority, that business is on the verge of an important slump, though this may turn out to be the case some time next year. With commodity prices at a fairly low level and few signs of inflation, it would appear that the possibility for a sudden break in business is considerably removed. On the other hand, there is no question that business is suffering from a number of maladjustments, principal among which are the lower prices for farm products and overproduction in certain industries such as automobiles, building, steel and agricultural implements. These adjustments must be satisfactorily affected before business again rests on a thoroughly sound basis. Whether or not they can be so affected is a matter which can only be determined by conditions as they arise in the future.

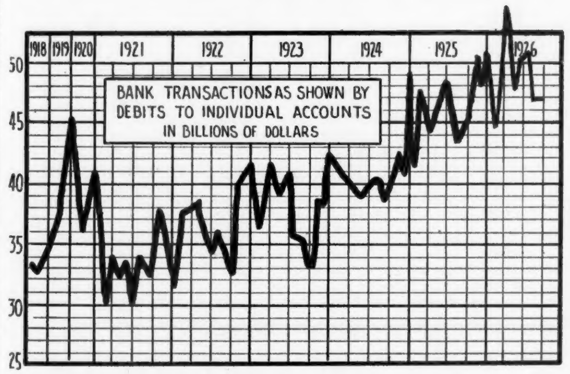
THE TREND OF MANUFACTURE. TRADE & COMMERCE

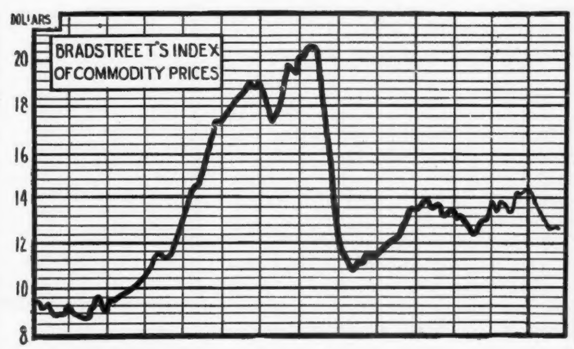


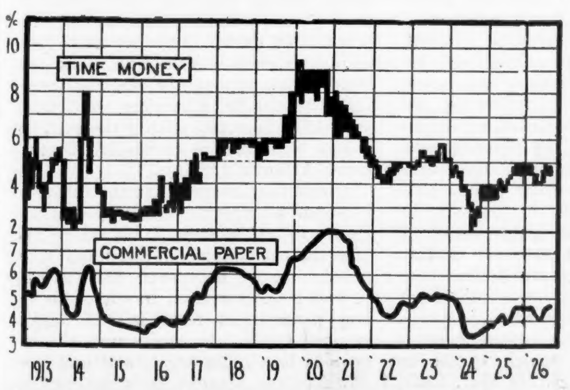


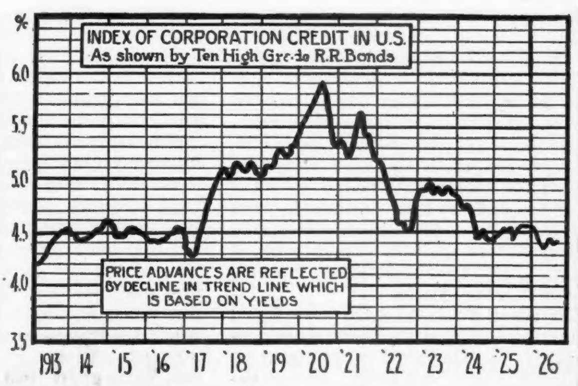


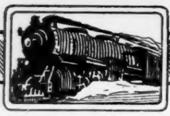












How Rails May Fare if Business Declines

A Forecast of Railroad Earnings

By J. A. POLLOCK, JR.

AT a time when the investor is manifestly beginning to feel, due to their record earnings and recent freedom from legislative and other governmetal interference, an increased attraction towards railroad securities, he is nevertheless being haunted by the deterring thought that we are undoubtedly pretty well along in the prosperity cycle and that perhaps the improvement in transportation conditions has occurred too late to be of great effect in at least the present bull market.

It is only natural to feel at the peak of a long period of prosperity that corporate earnings represent a level which cannot be uninterruptedly sustained. It is pertinent, therefore, to examine such evidence as is available in an attempt to estimate the effect of a recession in business on railroad earnings, "when, as and if" such a setback takes place. Natural caution, supported by considerable data in the way of current indices, directs the assumption to the year 1927. This coincides with the views of most proponents of the Jevons ten-year cycle, which has had its recent failure ascribed to the intervention of the war, and with the several variations thereof, notable among which is the theory that calendar years ending in 3 and 7 prove periods of reaction in this country.

Table I. What Leading Rails May Earn in 1927 If Business Falls Off

Road	Indicated 1926 Earnings per Share	Dividend	Indicated 1927 Earnings per Share	Based upon Following Decline in Gross Revenue
New Haven	$6.00	....	$3.70	10%
New York Central	15.00	$7.00	11.80	10
Pennsylvania	7.50	3.50	7.25	10
Baltimore & Ohio	17.50	6.00	11.00	10
Delaware & Hudson	17.00	9.00	17.00	..
Reading	10.50	4.00	10.50	..
Norfolk & Western	24.00	10.00*	16.30	20
Chesapeake & Ohio	22.00	12.00*	12.35	20
Atlantic Coast Line	26.00	9.50*	22.00	7½
Southern Railway	17.50	7.00	13.90	7½
Illinois Central	12.00	7.00	12.00	..
Northern Pacific	8.50	5.00	8.50	..
Union Pacific	18.00	10.00	16.25	5
Chicago-Northwest	8.50	4.00	8.50	..
Southern Pacific	13.00	6.00	11.60	5
Atchison	22.00	7.00	20.00	5

* With extras.

It may be pointed out that the history of railroad traffic reveals no close connection with either of these cycles. In the first place, the trend of the volume of rail transportation is quite vigorously upwards from year to year. Thus about half of the years of so-called business depression in the last 50 years, have resulted in either no or only an inappreciable recession in railroad gross revenues or ton miles. In this category may be classed such years as 1884, 1897 and 1903. Insofar as may be judged from older and very incomplete records associated with the early days of the railroad industry and the fuller data of modern times, the transportation cycle in this country if it exists, has been marked by a period of about seven years.

Certain of these setbacks have failed to materialize, however, seemingly governed by the rule that the cycle next in sequence after unusually severe depressions, occurring at longer intervals, be omitted. That this is not an illogical consequence, will be apparent to any one familiar with economic cause and effect. Thus the heavy losses sustained by the early carriers in 1838, following the 1837 panic, were not reflected in the early forties, and again the bad year of 1874, following the previous year's panic failed of duplication in 1880, while the seventh year following 1894, witnessed boom conditions, 1901. On the other hand, railroad business declined in 1907-08, in 1914 and in 1921, the latter fiscal 12 months, showing the greatest decline both actual and in percentage from the previous year than for any other period for which sufficient records are available. On this basis the decline in business of the carriers which would be due, perhaps in 1928 rather than 1927, might be avoided.

Although not very obviously related to the railroads, it has been authoritatively stated that for over two hundred years, shipping has undergone a seven-year cycle. It is at least interesting to note in this connection, that 1926 which apparently was destined to fail dismally in mirroring the halcyon year 1919 has only within the past few weeks witnessed a miniature boom in trans-Atlantic freights.

It has been stated that the difference between prosperity and depression in this country is one of not more than 10% in the volume of business transacted. As we have seen, the variation in rail transportation is apt to be even less pronounced than in the case of general trade. In any event, the nine periods beginning with 1893 and taken down to the present, in which the volume of transportation has declined from a previously established level,

show an average loss of about 2% in the case of passenger miles and about 7½% in the case of ton miles of freight. The individual declines making up the average have ranged between rather wide extremes, thus the normal growth in ton-mile service suffered no interruption following the 1903 business reversals, while traffic in 1921 suffered a loss of about 25% from that of 1920. It is important to note that a fundamental cause of the peaks and valleys in past business cycles was the inability of the railroads to render adequate service in boom periods. In meeting this handicap merchants and manufacturers over-anticipated their future requirements and a train of economic sequence was set in motion, which ended in severe reaction. Immediately following federal operation and in the peak of the 1920 "boom," railroad inefficiency was at its all-time maximum, and a basic element in the inflation of that year, which brought about the extraordinary correction of 1921.

In the present boom the railways have rendered speedy and uninterrupted service, a fact which has lent prosperity its great element of strength —absence of forward buying. This fact, linked with the promise of continued carrier efficiency and the Federal Reserve Board's comparative elimination of seasonal factors in money rates, supplies the fundamentals of the popular argument that the extremes have, for the future, been eliminated from the economic cycle, i. e., the peaks cut lower and the valleys raised.

As a matter of fact and practical judgment—perhaps the only safe form of prediction to indulge in—the majority of shrewd observers would seem agreed, that while a business recession is quite probable in the near future, it should not assume very acute proportions. Too many of the inherent elements of genuine depression are lacking from the present situation. A slowing down such as occurred in 1924 would perhaps represent the consensus of opinion.

As it relates to railway traffic a recession of 1924 proportions would amount to about 4% in passenger-miles and about 6% in ton-miles of freight. Actually it would seem unsafe to predict any appreciable decline in passenger business, which has been steadily losing ground since 1920, and only in the current year has given evidence of a change in trend. An important factor in a business reversal would undoubtedly be the automobile industry—now third in national importance. Its loss, however, should mean the railways' gain. It should mean that a temporary saturation point had been reached as regards automobile production, and an end for the time being at least to the inroads which highway travel have been making into railway travel. In this connection it is interesting to note that the recent era of poor passenger business, although arising from different causes, is not without precedent, as a comparison with the period following 1893 reveals.

It may be guessed that the future will show no further decline in railway passenger business. On the other hand, it would undoubtedly be safer to assume that a decline in freight business will at least reach average proportions, that is, say 7½%.

For different sections of the country a different factor must be adopted. Agricultural conditions are frequently a cause of depression, but can hardly be embodied in the industrial cycle. Thus we know that in the past and even including periods of agricultural depressions, the Southern and Western carriers have suffered less serious reversals than those serving the more industrialized sections of the East. Lacking serious agricultural difficulties, depression should prove only about half as effective upon the traffic of Southern and Western roads as those of the East. Next year's crops are a matter for next year to determine. Unquestionably, however, the bad smash in cotton prices will have a somewhat depressing effect upon the South, which in addition has had a marvelously prosperous period in recent years, during which some unsoundnesses have very possibly developed. West of the Mississippi agricultural conditions have been about on an average with recent years. The cotton situation might be applied to the Southwest had not Texas already experienced a notable failure of the cotton crop in 1925. For these large territories then, losses in freight revenues in 1927 if, and only if, a year of poor

(*Please turn to page* 190)

Table II. Railroad Traffic in Various Depressions— All Roads

Year Ended June 30	Passenger Revenue (Millions)	Percent of Base Year	Passenger Miles (Millions)	Percent of Base Year	Freight Revenue (Millions)	Percent of Base Year	Ton-Miles (Millions)	Percent of Base Year	Total Revenues (Millions)	Percent of Base Year
1893....	$301.5	100.0	14,229	100.0	$8,291.1	100.0	93,588	100.0	$1,220.8	100.0
1894....	285.3	94.6	14,289	100.4	699.5	84.4	80,335	85.8	1,073.4	87.9
1895....	252.2	83.6	12,188	85.7	730.0	88.0	85,227	91.1	1,075.4	88.1
1896....	266.6	88.4	13,049	91.7	786.6	94.9	95,328	101.9	1,150.2	94.2
1897....	251.1	83.3	12,256	86.8	772.8	93.2	95,139	101.7	1,122.1	91.1
1898....	267.0	88.5	13,379	94.0	876.7	105.7	114,077	121.9	1,247.3	102.2
1899....	291.1	96.5	14,591	102.5	913.7	110.2	123,667	132.1	1,313.6	107.6
1900....	323.7	107.3	16,038	112.7	1,049.3	126.5	141,596	151.3	1,487.0	121.8

Table III. What Class I Roads Showed After 1920-21 Year of Business Depression

Year Ended June 30	Passenger Revenue (Millions)	Percent of Base Year	Passenger Miles (Millions)	Percent of Base Year	Freight Revenue (Millions)	Percent of Base Year	Ton-Miles (Millions)	Percent of Base Year	Total Revenues (Millions)
1920..........	1,286.6	100.0	46,849	100.0	4,317.4	100.0	410,306	100.0	6,178.1
1921..........	1,151.8	89.5	37,313	79.6	3,911.3	90.6	306,840	74.8	5,516.6
1922..........	1,074.1	83.5	35,470	75.7	3,992.4	92.5	339,285	83.7	5,559.1
1923..........	1,145.7	89.0	37,957	81.0	4,606.7	106.7	412,727	100.6	6,289.6
1924..........	1,075.0	83.6	36,091	77.0	4,333.6	100.4	388,415	94.7	5,921.5
1925..........	1,055.3	82.0	35,964	76.0	4,546.7	105.3	414,140	100.9	*6,186.6
1926 (Est.)....	1,056.0	82.1	......	....	4,820.0	111.6	....	.....	6,480.0

* Includes Class I Switching & Terminal Cos.

Taking Advantage of Bond Fluctuations to Increase the Yield

A Method in Use by Experienced Investors and Recommended to the Attention of Our Readers

By HALEY F. WINCHESTER

THIS interesting little "experience" story has a rather unique value in that it may indicate to investors a new field for profit. The facts given are vouched for by us as being authentic. We should be pleased to consider for publication at our usual space rates any other articles along this line.—Editor's Note.

THE rank and file of the American investment community is not yet familiar with the large possibilities for substantial yields that may be secured from judicious employment of funds in the bond market. Most investors regard bonds simply as a safe vehicle for income. And the theory with them is that somehow it is wrong to look for material yields in this section of the market. One should buy bonds solely for income. Acting on this premise, they eliminate from consideration one of the most fruitful—and secure—sources not only for income but for profit.

It is not the writer's purpose to suggest speculation in bonds. In common with the great mass of American investors, he believes that the essential utility of bonds consists of their income-producing nature. At the same time, he finds other inherent possibilities in this type of security, particularly from the profit-making viewpoint, and for this reason fails to understand why American investors obstinately remain oblivious to these possibilities.

No Purchases on Margin

In order to stimulate the imagination of investors to the virtues of bonds from the profit standpoint, the writer gives herewith a complete record of his experiences in this connection this year. It should be understood that all the transactions to which reference is made were on an outright basis and that there were no marginal purchases whatever.

The writer essentially had two purposes in mind. The first was to secure an adequate yield on his investments and, second, if possible, to purchase issues at a price which might afford a reasonable profit, the combination of the two tending to effect a satisfactory net yield. To start off with, my 1926 bond investments have netted me at this writing something over 16%. I shall now proceed to tell how I accomplished such a result, Incidentally, I have been averaging over 15% per annum on my bonds for a number of years.

I started with $10,000 on the first of January, all of which went toward bond purchases. I bought in varying amounts the following at the prices stated:

	Bought	Current Price
Int. Tel. & Tel. 5½s...@	108½	109
Granby Conv. 7s.....@	102½	137
B. M. T. 6s..........@	92½	97
Missouri Pac. gen. 4s..@	69	74
Great Northern 7s.....@	110½	113
Anaconda 7s*.........@	105	106
Punta Alegre 7s*......@	107½	110

Issues marked * were purchased in Spring.

At the prices purchased, the current yield on my investment was about 6%. Adding up my paper profits, I find that if I sold at the current prices, I would have a profit of about $1,000, which added to the 6% return, would net me about 16% on my investment of roughly $10,000. Inasmuch as there is no special inducement for me to accept my profits at this time, I shall continue to hold for a while longer at any rate and possibly show an even larger percentage on my investment.

It will be noted that I am holding only two really high-grade bonds, Int. Tel. 5½s and Great Northern 7s, the balance consisting of convertible and medium grade issues, all perfectly sound, however. Since the income position of each of these issues is above reproach, it cannot be said that I have jeopardized my capital in order to make a profit. Nevertheless, the special conditions surrounding each of the companies represented by these issues was such at the time of purchase as to lead me to conclude that in addition to a satisfactory interest return, I might also enjoy an appreciation in the value of my capital. Subsequent events have borne out my hopes, though it will be noted that not all of the issues selected show me a large profit. Of course, it was up to me to ascertain whether each of the issues purchased was of a type that could show a profit within a reasonable period. It was after I had satisfied myself on this score that I went ahead.

Diversified List

An interesting feature of my list is the diversification employed. There are two utility bonds, two mining issues, one sugar bond and two rails. I invested an almost equal amount in each of these issues. In this way, I protected myself against serious loss in the event that any of the bonds selected might go contrary to expectation.

In other words, I have employed purely investment methods in my attempt to extract a larger income from my capital than would have been possible had I confined myself only to the highest grade bonds. I believe the average investor could follow this plan with a certain degree of success provided he does not buy speculative bonds. The best results, I have found, come from the purchase of medium-grade issues. It is undeniable that fluctuations in bond prices are a fruitful source of profit, steadier, though perhaps not so large, as in common stocks.

I have failed to mention that "switching" may be employed as profitably in the bond market as in stocks. Thus, my Granby 7s are now almost at a point where they should be sold. I have two of these bonds and if I sold at current prices would have in cash about $2,750. With this amount I could buy three B. M. T. 6s which would give me a return of $180 a year against the $140 I now derive from the Granby 7s. Since my ultimate object is to build up as large a return from my investments as possible, it will be seen that by "switching" properly I can achieve this result provided I exercise a little patience.

Bonds

Medium Grade Bonds Strong —General List Firmer

THE bond market which all through the period of rising money rates gave an exceptionally good account of itself moved forward easily as soon as it became evident that money rates were easing. The response was in evidence in practically all sections of the market but the best comparative showing was in the middle-grade division. Here such issues as B. M. T. 6s, Missouri Pacific general 4s, Marine 6s, Interborough 5s, Western Maryland 4s, and Chicago & Eastern Illinois 5s made substantial gains. Among the higher-grade bonds, there were no exceptional changes but prices were a shade higher. Specula tive bonds pretty much followed the rising trend in stock market.

Convertibles More Active

A feature is the increasing activity in the better placed convertible issues. Thus Granby 7s are holding at practically their highest prices; Anaconda 7s made a small gain on an expanding volume of transactions; Loew's 6s were higher; Barnsdall 6s moved up, and National Dairy Products 6s were well bought. Such transactions are normal in a period of rising stock prices, even if it be not clear that the advance will be a prolonged one.

An interesting section of the market at present is the group of "coal" bonds, whether mining or those of railroads principally dependent on coal mining operation for their traffic. The improvement in this industry accounts for the sudden strength in such an issue as the Chicago & Eastern Illinois 5s; it would also account for the better showing of the hitherto depressed Consolidation Coal 5s. Likewise, better conditions reported in the shipping industry have imparted an improved tone to bonds of shipping companies.

Cheaper Money

The outlook for the bond market of course will be determined principally by money rate conditions and as the latter are improved it follows that higher bond prices are likely to be seen. This seems particularly clear in the case of high-grade issues and, also, the sounder bonds in the middle-grade group. As to speculative bonds, they are likely to follow more or less the market action of the common shares of their companies and must be subjected to an individual analysis of the outlook for these companies. In probably the majority of cases, speculative bonds are in a fundamentally weak position and should be avoided. Also new offerings of bonds put out at extraordinarily high yields should be subject to close scrutiny as many of them are entirely speculative.

Bond Buyer's Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959....(a)..	....	....	100	98	6.02	6.13
Dominican Rep. 5½s, 1942....(a)..	6.4	....	101G	98¼	5.58	5.72
Haiti 6s, 1952....(b)..	....	....	100G	98⅞	6.07	6.08
Chile, ext. 8s (due at 105), 1941....(a)..	....	....	110A	108⅝	7.38	7.25
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a).	284.0	1.44	105A	98⅞	5.03	5.01
Genesee Riv., 1st 6s, 1957.... ..	....	1.44	115	111	5.40	5.26
Great Northern, Gen. 7s, 1936....(b)..	139.8	2.75	....	113⅝	6.15	5.23
Kan. City Sou. Ref. & Imp. 5s, '50. ..	30.0	2.07	105A	99¼	5.03	5.07
Ky. & Ind. Term., 1st 4½s, 1961.. ..	....	X	....	91	4.94	4.78
Minn., St. P. & Sault 6½s, 1931.... ..	74.6	1.16	....	102⅝	6.34	5.83
M-K-T, P. L. 5s, 1962....(b)..	....	1.89	....	101⅛	4.94	4.92
Missouri Pac., 1st & Ref. 6s, 1949.(a)..	126.3	1.24	107½A	106⅛	5.62	5.52
N. Y., O. & W., Ref. 4s, 1992.... ..	....	1.29	....	74¾	5.35	5.40
Ogdensburg & Lake Champlain 1st 4s, 1948	....	1.91	....	79⅝	5.03	5.61
Rutland, 1st 4½s, 1941.... ..	....	1.80	....	90¼	5.02	5.43
San Antonio & Aransas Pass. 1st 4s, 1943	....	2.63	....	88⅞	4.49	5.06
Western Pacific, 1st 5s, 1946....(b)..	....	2.26	100	99¾	5.01	5.06
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	....	1.32	102½	97¾	5.12	5.34
Commonwealth Power, 6s, 1947....(b)..	....	4.28	105T	104	5.76	5.66
Hudson & Manhattan, Ref. 5s, 1957.(b)..	5.6	1.98	105	97⅛	5.14	5.31
Kansas Gas & El. 1st 6s, 1952....(a)..	....	1.71	107½T	105½	5.68	5.60
Laclede Gas, C. & R. 5½s, 1953...(b)..	10.0	1.58	105T	103¾	5.27	5.23
New York Dock, 1st 4s, 1951....(a)..	....	2.73	105	83⅝	4.77	5.21
New York Edison, 1st 6½s, 1941...(a)..	38.0	3.71	105G	115⅛	5.68	5.09
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	4.0	3.61	120T	114¼	6.14	5.81
United Fuel Gas, 1st 6s, 1936....(a)..	....	5.72	105	102	5.87	5.65
Western Union, 6½s, 1936....(a)..	20.0	11.20	....	112	5.80	4.97
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947....(a)..	....	4.92	107½T	109	5.48	5.28
Anaconda, 1st 6s, 1953....(a)..	16.9	1.34	105T	103⅝	5.78	5.72
Bethlehem Steel, P. M. 5s, 1936.... ..	5.1	2.20	105	97½	5.14	5.29
Central Steel, 1st 8s, 1941....(b)..	....	4.90	....	120½	6.63	5.95
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	....	5.35	107A	105¼	6.26	6.09
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	....	5.18	103T	101⅞	5.37	5.34
Int. Paper, 1st 5s, 1947.... ..	....	7.26Y	102½	96¼	5.25	5.30
Sinclair Pipe Line, S. F. 5s, 1942..(a)..	....	4.46	103	92½	5.41	5.79
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	....	3.31	105G	107¾	6.48	6.11
U. S. Rubber, 1st 5s, 1947....(b)..	2.6	2.91	105T	94	5.31	5.50

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Chicago Gt. Western, 1st 4s, 1959. ..	....	0.90	....	69¾	5.73	6.16
Central New England, 1st 4s, 1961. ..	0.2	0.67	105	76⅞	5.19	5.50
Erie, Gen. Lien 4s, 1996.... ..	91.6	1.44	....	72	5.55	5.60
Int. Gt. Northern, 1st 6s, 1952....(b)..	....	1.34	107½T	105⅛	5.67	5.61
Mo. Pacific, Gen. 4s, 1975....(a)..	219.9	1.24	100T	74¼	5.41	5.55
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	....	1.48	105T	94⅝	4.74	5.31
New Haven Deb. 6s, 1940....(b)..	49.4	1.48	105	102	5.88	5.78
Western Md., 1st 4s, 1952.... ..	2.3	1.18	....	75¼	5.33	5.85
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968...(b)..	....	1.52	105	97¼	6.15	6.18
Indiana Nat. Gas, Ref. 5s, 1936.... ..	....	1.89	....	97¾	5.11	5.29
Manhattan Ry., Cons. 4s, 1990.... ..	....	0.86	....	65⅝	6.09	6.19
Market St. Ry. 1st 7s, 1940....(a)..	....	2.38	106½T	96¼	7.22	7.18
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	21.4	1.31	104T	93	5.39	5.48
N. Y. & Richmond Gas, 1st 6s, 1951.(b)..	....	1.06	105G	103⅛	5.80	5.74
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936....(b)..	....	2.23	110	103⅛	7.72	7.51
Col. Industrial 1st Gtd. 5s, 1934... ..	5.3	1.16	105	90	5.55	6.65
Consolidation Coal 1st & Ref. 5s, 1950	8.0	2.52	107½	83¾	5.97	6.30
Commercial Credit, Coll. 5½s, 1935.(a)..	....	2.74	105T	93⅛	5.94	6.43
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	11.2	4.48	105TA	97⅛	5.63	5.67
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	....	6.84	105	101¼	5.92	5.70
Am. Type Founders, Deb. 6s, 1940.. ..	....	....	105	103	5.82	5.73
Liggett & Myers, Deb. 7s, 1944.... ..	....	5.88	....	123	5.69	5.05
Sun Oil, Deb. 5½s, 1939....(a)..	29.3	4.09	105	103⅞	5.78	5.65
SHORT TERMS						
Industrial Bank of Japan 6s, Aug. 15, '27	....	....	100A	100⅛	...	5.85
Gen. Petroleum 6%, April 15, '28....	....	5.18	101T	101⅝	...	4.90
Sloss-Sheffield P. M. 6s, Aug. 1, '29....	1.7	4.55	105	103	...	4.85

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later.

Financial Conspectus

Name of Company	Total Net Capitalization Entire System (Millions) (A)	Bonds Outstanding (Millions)	Securities Not Subject to Interest Payments (Millions)	Percentage of Interest Charges to Net Operating Income, 1925	Last Reported Gross Revenues Entire System (Millions)	Net Operating Revenues Entire System (Millions)	Dividend Disbursements of System (Millions) (B)	Depreciation, Charges, Etc., 1925 (Millions)	Percentage Depreciation, Charges, Etc., to 1925, Gross	Reserve for Depreciation, Etc. (Millions)
American Power & Light	354	198	156	35 est.	56.0	24.8	7.4	3.0	6.0	13.0
Am. Water Works & Elec.	246	160	86	46	41.0	19.0	6.2	3.5	8.9	18.1
Brooklyn Edison	120	45	75	24	29.7	9.9	4.8	2.0	6.8	5.3
Brooklyn Union Gas	58	33	25	31	23.9 H	4.5 H	1.9	N.S.	N.S.	1.0
Columbia Gas & Electric (M)	129	40	89	13	33.4	15.4	6.2	1.6	4.8	N.S.
Consolidated Gas (N. Y.)	434	200	234	29	134.3	37.0	19.1	N.R.	N.R.	5.3
Detroit Edison	166	87	79	29	39.0	12.6	5.4	4.5	11.3	11.0
Elec. Power & Light	93 X	145 est.	93 X	40 est.	47.8	20.1	N.R.	3.3	6.9	9.6
Engineers Public Service	123	51	72	32	25.4	9.7	3.1	N.S.	5.0 est.	8.4
Federal Light & Traction (N)	26	13	13	29	5.9	2.3	0.7	N.R. J	N.R. J	3.3
Gen. Gas & Electric "A"	127	71	56	36	21.0	10.7	2.4	1.1	5.2	N.S.
Laclede Gas	43	30	13	39	8.3	4.1	1.2	0.7	8.4	1.8
Montana Power	93	34	59	31	8.4	5.4	2.6	0.3	3.9	1.6
National Power & Light	173	86	87	40 est.	31.6	12.3	1.4	1.8	5.9	4.2
North American Co.	492	283	209	33	107.3	46.6	13.9	11.0	10.3	61.7
Pacific Gas & Electric	283	171	112	48	47.7	18.8	6.8	3.8	8.0	22.5
People's Gas (Chicago)	123	76	47	39	31.8	6.9	3.2	1.3	4.2	12.9
Public Service of N. J.	350	242	108	48 est.	94.7	25.0	8.8	7.7	8.1	27.8
So. Calif. Edison	218	118	100	35	24.8	16.5	6.3	3.4	13.7	10.8
Standard Gas & Elec.	750	392	358	40	163.2	66.5	18.6	14.1	7.5	45.5
Utilities Power & Light "A" P	82	42	40	32	14.5	7.4	1.4	0.70	5.0	9.0

(A)—No duplications of pledged securities included.
(B)—Not including dividends of subsidiaries paid to holding companies.
(E)—$7 extra. Not computed in yield.
(J)—Average maintenance and depreciation fully 17% of gross.

N.D.—Not determinable strictly.
N.R.—Not reported.
(X)—Holding Co. only.

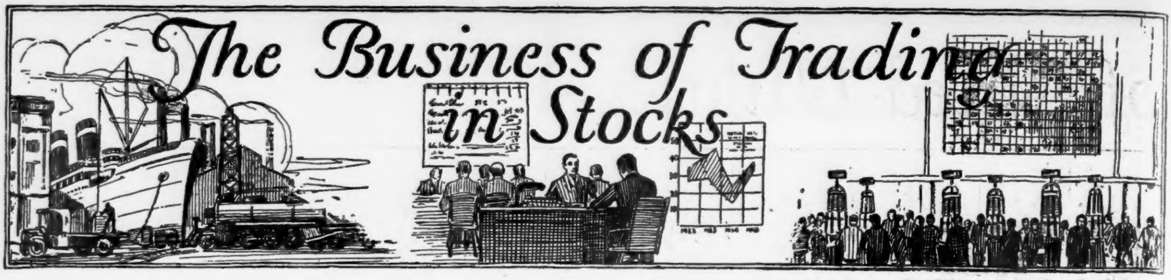
Where official figures are not available computations have been based on deductions.

of Listed Utilities

Percentage Reserve for Depreciation, Etc., to Total Investment	Ratio Total Investment to 1925 Gross Entire System	Percentage Holding Co. Common Stock of System's Capitalization	Has Percentage of Operating Net to Gross Gained Since 1922?	Has Percentage of Gross Revenues Applicable to Holding Co. Common Gained Since 1922?	Percentage Gross of System App. to Common (Last Figures)	Dividend on Common Stock	Recent Price Common Stock	Yield %	Name of Company
4.0	6.5:1	N.D.	+	+	16	1.00c	62	5.61c	American Power & Light.
7.2	6.2:1	5	+	+	5	1.20c	54	4.72c	Am. Water Works & Elec.
4.3	4.2:1	62	=	+	25	8.00	157	5.09	Brooklyn Edison.
1.4	3.2:1	43	—	—	13	11.00B	94	4.25	Brooklyn Union Gas.
N.S.	4.4:1	39	+	+	24	5.00	85	5.86	Columbia Gas & Electric.
0.9	4.5:1	50	+	+	19	5.00	108	4.63	Consolidated Gas (N. Y.)
7.1	3.9:1	47	+	+	21	8.00	134	5.97	Detroit Edison.
3.5 est.	5.6:1 est.	N.D.	Inc. 1925	Inc. 1925	4	...	16	...	Elec. Power & Light.
7.5	5.0:1	20	Inc. 1925	Inc. 1925	10	...	20	...	Engineers Public Service.
11.1	5.0:1	23	+	+	20	0.80c	40	4.00c	Federal Light & Traction.
N.S.	6.1:1	N.D.	+	+	6	1.50G	40	3.75G	Gen. Gas & Electric "A".
4.0	5.2:1	30	+	+	20	8.00	160	5.00	Laclede Gas.
1.7	11.3:1	53	+	+	32	5.00	80	6.25	Montana Power.
2.5	5.9:1	36	+	+	12	0.80	19	4.21	National Power & Light.
11.2	5.1:1	8	+	+	12	10% Stock	49	10% Stock	North American Co.
8.1	5.7:1	20	=	=	10	8.00	128	6.46	Pacific Gas & Electric.
11.6	3.6:1	38	=	+	15	8.00	120	6.66	People's Gas (Chicago).
6.3	4.6:1	14	=	+	7	5.00	96	5.20	Public Service of N. J.
5.2	8.4:1	20	+	—	20	2.00	31	6.45	So. Calif. Edison.
5.2	4.9:1	11	Not Comp.	Not Comp.	12	3.00c	53	7.78c	Standard Gas & Elec.
10.0	6.4:1	12	Not Comp.	Not Comp.	9	2.00G	30	6.67G	Utilities Power & Light "A"

(C)—Also stock dividend. Value stock dividend computed in yield.
(G)—Payable in cash or stock.
(H)—After crediting suspense funds.
(M)—Not including Ohio fuel.

(N)—Ex. New Brunswick Power.
(P)—As of June 30, 1926. Most data not previously published.
N.S.—Not segregated. Est.—Estimated.
Not Comp.—Operations of 1922 too small to be compared.
Inc.—Incorporated.



Part IX. Charts and Mechanical Systems

CHARTS

FOR convenience in discussion, we have brought together in this chapter two subjects which are not necessarily related. Any progressive business executive knows the value of charts; the conversion of figures into graphs merely serves to visualize the facts in a form best suited to quick comprehension of the essentials. Graphic records of economic statistics, security price movements and volume of transactions are likewise useful to the trader. But there is always the danger that charts which were begun as records and guides will end by degenerating into some form of mechanical system. This all too frequent abuse of charts, unfortunately, has brought them into unmerited ill repute.

There are three forms of graphs commonly used by traders to depict price movements: the Vertical Line chart, Unit chart and Loop chart. Volumes may be recorded on the first two, as described in previous chapters; but not on the third type. The Vertical Line chart is the only one of the three in which the time element possesses any significance. The Loop chart resembles the Unit chart in neglecting all fluctuations below an arbitrary minimum; but differs from the Unit chart by showing the extreme price range of all fluctuations that equal or exceed such minimum. It has the advantage of recording the detailed course of price movements much more closely, and the diagonal "Trend line" seems to run somewhat truer to form than in the first two types. The four graphs (graph 5 is discussed separately later) here reproduced all depict the recent spring rise in U. S. Steel common, from 117 on April 15, 1926, to 159⅝ on August 16—its highest price since the company was incorporated in 1901.

Chart (1) is a 1-point Unit chart, on which numerals representing the number of thousand shares per unit price change replace the customary Xs and Os. Numerals circumscribed by a square signify *down* units; free numerals signify *up* units. Some market students profess to see forecasting value in unit volumes thus charted. Unless utilized for that purpose, however, it will save labor to dispense with the volume numerals and simply use the Xs and Os.

Chart (2) is the same price movement, condensed into a 5-point Loop chart—i. e., a Loop chart in which the minimum fluctuation is 5 points. It is interesting to note how the tops of successive advances in the price level cling closely to the diagonal "Trend line"; always keeping to the left, up to the final top at 159⅝, which shifts to the right, thereby suggesting a weakening in the technical position.

The subject matter of this chapter will center chiefly upon the Unit chart, which lends itself most readily to statistical analysis under the mathematical theory of Chance and Probability.

CONDENSED CHARTS

Graphs (3) and (4) are 2-point Unit charts, condensed from Chart (1). Chart (3) records every *even* point change in price, while Chart (4) is constructed on the *odd* points. It will be noted that the diagonal trend line comes nearer to the top on Chart (4) than on Chart (3), and that Chart (4) occupies more horizontal space than Chart (3). Sometimes these points of difference will be reversed, and occasionally the two varieties will be nearly alike. Over a sufficiently long period of time, however, one variety will cover about as much horizontal space as the other—namely, about 28% of the horizontal space occupied by the 1-point Unit chart.

Condensed Unit charts are a powerful weapon for analyzing price movements. Chart (1), for instance, covers the complete upward swing of a Spec-investment cycle in Steel. The component Speculative Cycles are clearly demarcated by the diagonal trend lines. So long as the price rallies to the trend line, following a reaction, we know that that particular speculative swing is not yet over; but when the price begins to follow a new Trend line, further to the right, we may presume that the stock has graduated from the old speculative cycle and entered another. But an interesting metamorphosis of the price movement takes place upon shifting over to the condensed chart. What was a complete Spec-investment swing in the 1-point chart shrinks to a Speculative swing in the 2-point chart, and the Speculative cycles of the 1-point chart dwindle to mere Chance Fluctuations in the 2-point chart. The letters, A, B, C, D, for example, on all five charts, represent what were the bottoms of four distinct Speculative cycles in Chart (1). In the 5-point Chart (2), the Speculative cycles of Chart (1) have shriveled up into single Units.

When a Spec-investment swing is broken up by Speculative swings, the diagonal trend line will zig-zag correspondingly; as in Chart (1), where the diagonal line that begins at 117 would, if continued without interruption, sky far above 159. But, when the graph is condensed, as in Chart (4), the diagonal runs smoothly from the bottom to quite near the top. In other words: *the diagonal line follows the Speculative, but not the Spec-investment, trend.* It frequently happens, however (and this is an important observation that applies equally well to the Vertical Line chart), that the diagonal line drawn from the bottom (or top) of one Speculative cycle will strike the top (or bottom) of the next Speculative cycle, rather than its own.

This is merely another way of phrasing the law of secondary tops and bottoms, referred to in Chapter VII. On this principle, one would look for a secondary top to meet the diagonal Trend line in Chart (3), thus concluding the Spec-investment swing of Chart (1), which appears in Chart (3) under the guise of a Speculative swing. As a matter of fact, this expectation was fulfilled by the subsequent sharp rally to 154¾ on October 2. Chart (3), in this instance, pointed quite clearly to an important rally that was not foreshadowed on Chart (1), nor even on Chart (4).

One of the most remarkable properties of the Unit chart is that the "Trend constant" holds at approximately the same average value, ⅝, regardless of the size of Unit adopted. In other words, *the 45-degree diagonal fits a ¼-point, or a 10-point, chart about as well as it does a 1-point chart.* On first thought this seems incredible; for we have just seen that a 1-point chart

condenses into a 2-point chart with about 3/10th the base, and ½ the height, of the original 1-point chart. This would indicate a ratio of height to base amounting to 5 to 3, which would call for a steeper slope than the 1 to 1 ratio necessitated by a 45-degree diagonal, and hence would indicate a trend constant larger than ⅝. The answer to this paradox is embodied in the preceding paragraph. Were we condensing only one Speculative swing, the line *would* be steeper; but we do actually condense a series of Speculative swings of which the Spec-investment swing is composed. The former appear in the condensed chart merely as Chance Fluctuations, while the Spec-investment swing is converted into a Speculative swing that *does* follow the 45-degree diagonal.

The writer believes that 5-point and 10-point charts are of great value in giving the trader a broad outlook upon price movements over a long period of time. Both can be compiled ordinarily from daily High and Low prices; but, in high priced stocks, there will be days of exceptional activity when the price range conceals more than one move greater than the 5-point or 10-point minimum, and on such days the data must be taken from the tape or from the so-called "Official sheet." On the 5-point chart, the Investment cycle will shrink to the dimensions of a Spec-investment cycle, and the Speculative cycles will appear as mere Fluctuations.

On the 10-point chart, the Investment cycle will be no larger than a Speculative cycle, the Spec-investment cycles will dwindle to mere Fluctuations, and Speculative cycles will disappear altogether. On the other hand, cycles of higher order than the Investment cycle, i. e., of longer duration, will become evident on such highly condensed charts —provided they are made to cover a sufficiently long period of time.

These longer cycles might be called Economic, or Evolutionary, cycles. They reflect disturbances created by great wars, changes in monetary conditions, the rise and fall of industries, or the secular progress of individual corporations. Although time has always been lacking to test it out conclusively, the writer believes that these highly condensed charts possess the same statistical properties as the ½-point, or the 2-point, chart. In other words, it seems highly probable that *price movements associated with periods of business depression and prosperity are distributed according to the same mathematical laws of chance and probability that govern lesser price movements.*

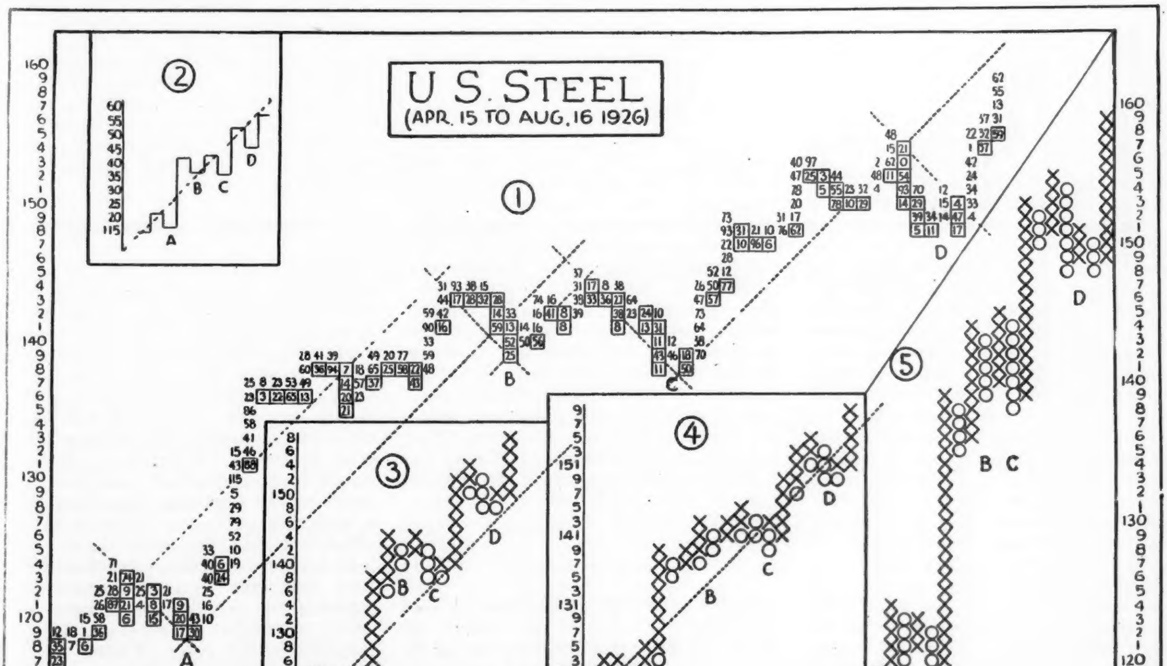
CHANCE The whole subject of chance is so important, and is so new in its manifold applications to the Stock Market, that it may be profitable to pause a moment at this point for a word about the philosophy of Chance. As used in this series of articles, *Chance* does not mean *Luck*, or just "Happenstance." In asserting that price movements and formations may be explained by Chance, we do not thereby deny the universal law of causation. Individual price movements are, of course, caused by changes in conditions, or by manipulation, or by the influence of news and rumors upon the minds of traders. And an omniscient mind could doubtless forecast each price change, large and small, by reasoning faultlessly from cause to effect. But, when dealing with statistically large quantities, it would be too tedious to work out the cause and effect relation in each individual instance, even were this possible.

In the applications we are making of the theory, it is not necessary to know what the next price change will be; all we need to learn is how many price movements of a definite magnitude there are per thousand. This we can calculate in advance with considerable accuracy. Nevertheless, *conclusions derived from the theory of chance do frequently apply with close approximation to even small groups of events, in actual practise.* The diagonal Trend line, for example, will seldom pass through the exact top (or bottom) of a price swing; but it usually does come within two or three Units.

STOP-ORDER CHARTS Graph (5) illustrates what is sometimes called a Stop-order chart, from its ready adaptability to the solution of stop-order problems. That part of the discussion, however, must be left to a future chapter. The chart here reproduced is constructed from Chart (1) by omitting all price movements of less than three points, and is therefore called a 3-unit, 1-point, Stop-order chart. If derived from a half-point Unit chart, it would be called a 3-unit, half-point, Stop-order chart—the minimum fluctuation being three half-point units, or 1½ points.

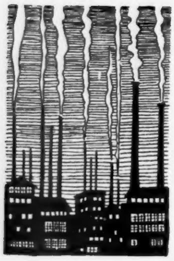
According to the purpose to be served,

(Please turn to page 156)



Eight Stocks Selling on Magic

A List of Speculative Issues Which Do Not Seem Meritorious Enough to Hold in the Present Market



WE give herewith an analysis of eight stocks which for various reasons seem too high priced in consideration of their actual intrinsic value and earning power. It is not intended to cast disrepute in anyway on these issues, all of which represent well known and conscientiously managed industrial corporations. The stock market position of these issues is such, however, as to warrant a special investigation into their investment merits. After considerable research, it has been found by various members of our Staff that in comparison with other stocks they do not "show up well." It may be that in future years, they will prove themselves to be stocks worthy of investment interest but for the present they seem entirely speculative and for that reason are not recommended to intending purchasers. The accompanying table gives information tending to cast light on the statistical position of these securities. It will be noted that they support the contention that these issues from a market viewpoint seem unattractive.

UNIVERSAL PIPE & RADIATOR CO.

REORGANIZATION does not appear to have effected much improvement in the earning power of this business. The only change in evidence is the necessity of distributing a limited income over a larger share capitalization.

Universal Pipe & Radiator was organized in 1923 for the purpose of acquiring the stocks of the Iron Products Corp. and the Central Foundry Co. Iron Products itself was a holding company only, owning the bulk of Central Foundry preferred and common shares, and the entire stock of three smaller concerns. Central Foundry in turn held all the stock in three subsidiaries. This pyramid of holding companies has rendered it all but impossible to trace the original source of earning power. No reports are published by any of the operating units nor by Iron Products which occupies the position second to the parent company in this complicated structure.

The business as a whole is varied in character. It includes the manufacture of cast iron pipe, boilers, radiators, pipe fittings, plumbers' supplies, and the production of coal, coke and pig iron. The blast furnaces operated in the Birmingham district exert a considerable effect on earnings. In 1925 they were a source of loss due to the depressed pig iron market. On the other hand, when prices are right, profits are derived through marketing a portion of the iron and coke output to the trade. Soil pipe and water pipe are among the most important of the finished products manufactured, and it is the increase in the latter that has engendered most of what optimism has been manifested in the future of the company.

Universal Pipe & Radiator has consistently sold on a high yield basis. At the present market around 79 the return is 9%. With earnings so irregular and failing to show a definite upward trend, it becomes desirable to regard the high return as a danger signal rather than an incentive for purchase of the preferred despite the present indications of 1926 earnings sufficient to cover preferred dividends more than twice over. Iron Products never paid a common dividend until reorganization plans were well under way. Its cash and floating debt position would hardly permit it in spite of fair average earnings applicable to the smaller capitalization then outstanding. The improvement in the financial condition of the successor company was made possible by the sale of additional common a year ago at a price well above the current market. *Universal Pipe has yet to demonstrate sufficient intrinsic strength to warrant the acquisition of either preferred or common.*—P. A. G.

LOOSE-WILES BISCUIT CO.

THE spectacular rise in the shares of this company is an illustration of the possibilities inherent in a moderately capitalized but flourishing enterprise. The small floating supply in itself is conducive to wide swings in price, but, in addition, the absence of dividends in conjunction with the ability to make payments at any time is a factor which lends a decided speculative element to the stock. This publication took occasion to recommend the common several months ago at substantially lower levels. Its inclusion in the present article is not the result of any lack of confidence in the continued success of the company, but due to the fact that the conditions ruling at that time no longer apply, and the issue is selling at a level where it does not seem to constitute a sound purchase.

Loose-Wiles ranks second only to National Biscuit in the manufacture of biscuit and fancy crackers, although its volume of sales is hardly more than one quarter of that of its large competitor. Profits have been shown in each of the last ten years with the exception of 1921, and in 1919 reached their peak. The improvement in share earnings since 1921 has been impressive, successive increases from $2.78 per share on the common in 1922 to $4.00, $7.43, and $10.39 in the next three years being recorded. Increase in net income, however, from 1922 to 1925, was only $600,000 or about 75% as against a 260% gain in common share earnings. The rapid acceleration in the latter figure in comparison to the actual changes in net income further explains the interest manifested in the common at a time when the trend of earnings is upward.

Outlook for Current Year

There is no definite line on 1926 earnings as no official figures are disclosed until after the close of the year. If a similar gain to that of 1925 over 1924 is reported, earnings on the common may very well reach a figure in excess of $13 per share, but even this hardly warrants a price of 140, especially in the absence of any large dividend prospects. It has been officially stated that no dividend can be anticipated before next year, and then only a moderate payment. It must be remembered that the large share earnings are somewhat deceptive due to the fact that the common outstanding amounts to only 80,000 shares, and would be subject to considerable curtailment in the event of even a comparatively small recession in net income. *There is no reason to feel that such a recession is imminent, but it is a possibility which should be given due*

weight in determining the proper valuation of a speculative stock.—G. M.

ALLIED CHEMICAL & DYE CORP. It required several years for the stock market to reflect the powerful asset position of this organization. Not until the latter half of last year did the common cross 100 and during the current year it has not sold below that figure. The pendulum has swung the other way. The problem at this time is to what extent the recent peak of 147 is justified, or, even more important, the current level some twenty points lower.

The main factors behind the enthusiasm displayed for the common are the enormous working capital amounting to well over 100 millions, the expected retirement of the preferred stock, and the concealed earnings in the form of substantial reserves deducted from the annual revenues.

The valuable equity contained in the 70 odd million cash and marketable securities as well as other assets cannot be questioned. At the same time, the capitalization is sufficiently large, 392,849 shares of preferred and 2,178,109 of common, so that the total net tangible assets behind the common are equivalent to only $73 per share on the basis of the last available balance sheet of December 31, 1925. A high market price for the common, therefore, as far as the factor of assets is concerned, would appear to be based mostly on the purely conjectural theory that the marketable securities include a number of issues which have advanced materially and are consequently undervalued on the books.

The retirement of the preferred would of course enhance the common stock equity, but the difference in the earnings available for the junior issue would amount to only $1.25 per share per annum, not sufficient to alter the situation very materially. As far as reserves are concerned, the income statements do not reveal the specific amounts of these items. The net increase in reserves of various kinds on the 1925 balance sheet was something below 8 millions, so that were the company less conservative in this regard, it is not likely that more than $2 per share could be added to the balance directly available for the common.

Allied Chemical has the advantage of wide diversification of products. The menace of foreign competition is probably less than painted in some quarters and in any case would have the most bearing on the dye industry which represents a comparatively small part of the total business of the company. Foreign competition is in the nature of a contingency rather than a definite prospect, and it is just as well to disregard it at this stage in estimating the worth of the securities.

It is difficult to see how any increase in the present $4 annual dividend rate which may be planned would warrant so high a price for the shares as is now prevailing, or how the most liberal estimate of real earnings could bring them over $11 to $12 a share, even with the preferred stock retired. *Intrinsically, then, the common should be classed among issues which had best be avoided in the present market.—N. W. N.*

VANADIUM CORPORATION With the declaration of a $1 extra dividend, payable next month, Vanadium has come much nearer to fulfillment of pre-organization hopes than at any time since 1920. It was organized in September, 1919, as successor to the American Vanadium Company. The latter owned the world's largest and richest deposit of vanadium ores, located in Peru, and a plant for reduction of these ores at Bridgeville, Pa. Recently, Vanadium extended its scope through acquisition of the U. S. Ferro Alloys Corp.

In the first year of the present company's existence, that is, 1920, a balance of $7.97 a share was earned for the common stock, and dividends were inaugurated at the rate of $6. Then came the memorable era of deflation, and with it a rapid decline in Vanadium's earnings. Dividends were reduced to $1 quarterly in October, 1920, and omitted entirely in March, 1921.

The use of ferro-vanadium in the manufacture of protective deck plates for warships, ordnance and the like, was, of course, severely curtailed after the World War. Similarly, demand for high speed tool steel fell to low levels as a result of surplus stocks carried over from the war period. The company was thus forced to develop new uses for its product. In this it has evidently made considerable progress.

In addition to large consumption of vanadium in the production of automobiles, a considerable market has been developed in the railroad and oil industries. Net profits have gradually increased from 79 cents a share in 1922 to $4.39 last year, with indications that a showing in excess of $5 will be made for the current twelve months. It is evident that resumption of regular dividends on a $3 basis in May, 1926, was justified both by earnings and financial condition.

At the same time, Vanadium's earning power is by nature variable, owing to its intimate dependence upon the automotive industry. Despite the simplicity of its capital structure, the company has no bonded debt or preferred stock—the common shares are, obviously, speculative. *In the absence of assurance that the improvement in earning power of the past two years can be continued, the 10% yield now afforded by the shares cannot be considered sufficient compensation for the risk assumed in buying or holding at present prices around 40.—R. E. S.*

AMERICAN RADIATOR If strong financial position and past performances were the sole factors in determining the market value of a stock, American Radiator at current price levels might be said to be well within the buying zone. The com-

Statistics on Eight Stocks Which Seem Too High

	American Radiator	Allied Chemical	Coca-Cola	Loose-Wiles	Union Oil	Universal Pipe Preferred	Vanadium	Weber & Heilbroner
Yield	4.6 %	3.1 %	4.2 %	0	3.6 %	9.0 %	7.5 %	6.4%
Average Earned Per Share, 1923-25	$8.60	$7.66	$10.74	$7.21	$2.60	$7.57*	$2.60	$4.58
Anticipated Earnings Per Share 1926	$9.00	$10.00	$16.00	$11.00	$3.00	$14.00	$5.00	$4.50
Price Range 1925	112-90	116-80	178-80	144-77	43-33	94-65	35-25	100-51
Price Range 1926	122-101	147-106	165-128	169-88	58-37	78-52	43-29	85-53
Recent Price	109	129	164	145	55	79	40	64
% Earnings to Market	8.2 %	7.7 %	9.7 %	7.6%	5.4 %	17.7 %	12.5 %	7.0%

* 1924-1925 only.

pany presents a picture of sound finances. A survey of the last official balance sheet reveals current assets of approximately 39 millions, against current liabilities of 6.76 millions, indicating net working capital of about 32.27 millions. Cash and Government security holdings aggregate almost 12 millions.

American Radiator also has an enviable earning record. During the period 1917 to 1921, both years inclusive, earnings were fairly well stabilized around the 3 million per annum mark, but in 1922 a remarkable advance to 5.75 millions was recorded, followed by 9.62 millions in 1923, 10.87 millions in 1924 and 11.35 millions in 1925. Current profits are estimated to be somewhat above those of last year. Since 1921 dividends at the annual rate of 16% have been paid on the common, augmented by 50% stock payments in both 1922 and 1924. Stockholders of many years' standing have enjoyed handsome cash returns on their investment, but most of the profits accruing to more recent purchasers have come through these stock dividends.

Obviously, if the record of the past can be accepted as a criterion, American Radiator faces an optimistic future. However, serious consideration must be given two factors having important bearing on the present situation. American Radiator now has 1,242,561 common shares of $25 par value outstanding. Last year's income applied to this stock amounted to $8.97 a share. We repeat, current profits are probably higher, but the most sanguine well-wishers hardly hope for more than $9, or $9.25 a share, against which we have a quotation of about 110 for the stock. At this level it yields 4.54% on the non-too-munificent regular dividend of $5.

Rumored reports of an impending stock dividend have undoubtedly had considerable influence marketwise, but even allowing for such a probability it is hard to see where a promising profit opportunity presents itself, or even that present price levels are warranted. Trade conditions affecting the company's line remain fair, but building operations are showing a tendency to slow down, something which will probably be reflected in later income statements. Whatever the future may bring forth, American Radiator seems to have reached a high point in its prosperity for the time being. The market is an unerring judge of values, preferring to discount future prospects rather than past performances. *The only logical conclusion to be drawn is that the shares will be available to better advantage at a later date.—L. B.*

UNION OIL OF CALIFORNIA A MARKET valuation for an independent oil stock which reduces the annual yield to below 4% when the established earning power of the corporation is only moderately in excess of the current dividend rate is essentially the product of a bull market. On the basis of earnings and dividend return alone, an issue like *Union Oil of California* looks high at its current price around 54. One naturally looks for some other factor to support such a valuation of its capital. But a careful check on asset values, surplus position, present earnings, average earning power over a period of years which include both good years and lean years and the outlook for still further improvement for the immediate future fails to disclose evidence of intrinsic or potential values to warrant the stock market appraisal.

Early this year, the directors raised the annual dividend rate from $1.80 a share to the present rate of $2, and in view of the conservative policies of the management there is little likelihood of a further increase—at least on the present earnings showing. Net tangible assets are approximately $20 a share less than the current stock market price of the stock. Earnings per share for the full year 1926 will run something around $3 a share and at the most generous estimates will amount to no more than 6% on the current price of $54 a share.

The oil industry on the West Coast is dominated by large companies as far as both the production of crude is concerned as well as the distribution and sale of refined products and the well established companies such as Union Oil of California are enjoying a period of comparative prosperity. However, crude output is approaching a point dangerously close to refinery needs. Should the industry again become concerned with an abundant supply of crude, it is quite likely to be the California producers with their excess of oil to ship East that will again bear the brunt. Conservation policies inaugurated on the West Coast are expected to result in greater stability of earnings—but stability is no argument for a stock selling on a 3½% basis. Merger rumors identifying Union Oil with Marland and Atlantic Refining have been largely discounted as far as the trader is concerned and even if some such consolidation would materialize in the future, holders of the shares for permanent investment could hardly be said to have their position improved much. *In short, it suggested that both speculative and investment funds could do better elsewhere.*— A. J. B.

COCA-COLA THIS giant among soft-drink producers is valued in the stock market on the basis of earning power and that alone. Neither its assets per share nor even a reasonable valuation of its good-will would together be valued at a third of its market price. Its present dividend of $7 yields at prevailing price of 158 less than 4.5%. Accordingly the only possible basis for its price is first the earnings per share of $14.47 in 1925 and then the indicated earnings of $16 per share in 1926. From the latter figure a higher dividend, or stock splitup is predicted. This simple situation can, fortunately, be readily examined and the question of value of Coca-Cola stock pretty definitely settled.

In 1925 earnings for the first three-quarters of the year were reported variously as $14.88 per share and $15.72 per share. Earnings for the entire year were revealed as $14.47 after charges, etc., despite $2.48 earned before taxes in the last quarter. This year the first three-quarters' earnings are reported as $16.25 (after allowing for retirement of preferred shares), and upon analogy with 1925, final earnings for 1926 should not exceed $16. In other words, Coca-Cola is selling for more than ten times proven earnings and for ten times indicated earnings, and with nothing else but earnings in the offing.

Since sugar is a principal raw material cost entering into the composition of the product, operating ratio is very much influenced by the cost of sugar, as is shown by the fact that in 1920 and 1921 when sugar prices were at peak, cost of goods sold, etc., were 84% and 88% of sales and in 1922 when sugar prices crashed, was 66%; in 1923 and 1924 when these prices recovered, 78% and 74%; and in 1925 when sugar prices crashed again, 65%. Assume that in 1927 sugar prices rule as they did in 1924, and operating cost ratio rises to 74% again, this would be equivalent, roughly to $2,400,000. Crediting the common stock with the $700,000 saved on dividends by retiring preferred stock, the loss in earnings would be $1,700,000, or about $3.40 per share. If sugar prices reached 1920 levels, earnings would be cut by $3,200,000 further, or, in other words, earnings would sink to only $5 a share.

In view of the fact that sugar prices are coming back strong, why would it not be advisable to switch to a stock such as Punta Alegre (or the latter's convertible 7s) which ought to benefit from the same fact that would injure Coco-Cola. It is a reasonable inference that profits of 1925 and 1926 due to low sugar prices should not be repeated by Coca-Cola in 1927.

If the stock is selling too high on an assets, good-will, earnings or yield basis, the only possible basis for optimism must rest in the disbursement of past earnings. With an indicated net working capital left of about three millions, or $6 a share on the 500,000 shares of stock, there appears to be little room for such an aspiration. A higher dividend than the present would scarcely appear to be good policy, where earnings are so erratic.

Market action of the stock has been stimulated by Coca-Cola International operations, the holding company for a majority of the common shares. Floating supply of stock is small, and a short interest has therefore lacked the courage to attack the stock. In a declining market, however, this very concentration of interest might make it impossible to distribute the shares successfully on the down scale. Whether those in control would care to buy the shares and salt them away for years in the hope of a come-back is not cer-

tain. *At any rate, it is not in a technically sound position and added to the doubtful earnings capitalization, militates against the extremely inflated price of Coca-Cola shares.*—N. B.

WEBER & HEILBRONER ON a basis of present outstanding common stock of Weber & Heilbroner, earnings have ranged from 48 cents in 1921 to $6.03 per share of common stock in 1925, and $5.98 in the year ended Feb. 28, 1926. Results for the six months ended Aug. 31, 1926, show a balance of $2.30 against $3.34 in the corresponding period of 1925. During this period the common stock was changed from a par value of $100 to no par value, shareholders receiving one share of new common stock for each three shares of old $100 par value common stock. For the purpose of comparison and treating the common shares on the basis of the present no par value shares, price range of the stock has been 22½ in 1920 to 100½ in 1925 with the subsequent decline to around 64.

Shareholders in January, 1924, approved and ratified purchasing the entire $500,000 of $100 par value capital stock of Brokaw Bros. and $500,000 of the latter's entire issue of 1st mortgage 6% bonds in consideration of 3,000 shares Weber & Heilbroner preferred shares and $1,134,515 in cash and notes. The Brokaw property was taken over as of Jan. 14, 1924, and has been operated separately, thus retaining the Brokaw organization's good-will. In the light of subsequent addition of profits of the Brokaw division to total earnings of Weber & Heilbroner, the price paid for Brokaw appears to have been excessive. Earnings of Brokaw Bros. have been included in earnings statements of Weber & Heilbroner for the fiscal years ended Feb. 28, 1925 and 1926.

Weber & Heilbroner common stock's equity in sound assets of the company equals about $22 per share. *In spite of the substantial decline from the high prices prevailing in 1925, the shares do not yet appear in the buying zone, and are likely to be obtainable at lower prices before any substantial improvement is in sight.*—O. L. S.

Preferred Stocks

LOOSE-WILES BISCUIT CO. 7% cumulative preferred has been removed from the Preferred Stock Guide. Inasmuch as this stock is now selling very close to the call price and the possibility of further price appreciation is accordingly limited. A switch to Allis-Chalmers 7% preferred should prove advantageous on the score of probable price enhancement and current income yield.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	6.0	No	67	47	73	5.5
Chicago & Northwestern	7 (N)	....	No	125	95	122	5.7
Chesapeake & Ohio Conv	6.5 (C)	F14.8	115	F130	F96	167	3.8
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	104	5.8
Colorado & Southern 1st	4 (N)	8.9	100	66	47	72	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	4.5	110	O99	O92	98	6.1
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	49	6.1
Public Service New Jersey	8 (C)	3.4	No	F119	F95	123	6.5
INDUSTRIALS							
American Smelting & Ref	7 (C)	2.4	No	115	63	118	5.9
American Steel Foundries	7 (C)	6.6	110	113	78	111	6.3
Associated Dry Goods 1st	6 (C)	4.6	No	102	55	100	6.0
Baldwin Locomotive	7 (C)	2.6	125	117	95	115	6.1
Brown Shoe	7 (C)	3.1	120	109	70	107	6.5
Cluett, Peabody	7 (C)	3.7	S125	110	79	114	6.1
Endicott Johnson	7 (C)	4.8	125	117	87	118	5.9
General Motors	7 (C)	F13.9	125	115	63	119	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	119	5.8

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	70	5.7
Kansas City Southern	4 (N)	2.7	No	59	48	65	6.2
Pere Marquette Prior	5 (C)	8.5	100	85	50	93	5 4
St. Louis-San Francisco	6 (N)	9.1	100	92	28	90	6.7
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	101	6.9
PUBLIC UTILITIES							
American Water Works & El	7 (C)	4.0	110	103	48	105	6.7
Federal Light & Traction	6 (C)	5.0	110	T89	T74	90	6.7
Kansas City Pr. & Lt	7 (C)	T3.1	115	H109	H91	113	6.2
Hudson & Manhattan R. R. Conv	5 (N)	4.5	No	F72	F25	75	6 7
West Penn Electric	7 (C)	....	115	O100	O96	99	7.1
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	89	6.7
Armour & Co. of Del	7 (C)	H2.3	110	H100	H84	92	7.6
Bush Terminal Buildings	7 (C)	1.1	120	103	87	103	6.8
Commercial Credit 1st	6.5 (C)	....	110	N99	N92	90	7.2
Cuban American Sugar	7 (C)	3.8	No	106	68	103	6.8
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	103	6.8
Gimbel Brothers	7 (C)	4.3	115	F114	F95	102	6.9
Goodrich (B. F.) Co	7 (C)	F2.7	125	102	62	97	7.2
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	105	6.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	112	6.3

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	T3.0	100	83	34	86	7.0
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	91	7.7
Consolidated Cigar	7 (C)	2.5	110	96	53	102	6.9
Dodge Bros.	7 (C)	....	105	O91	O73	83	8.4
International Paper	7 (C)	1.6	115	N89	N86	97	7.2
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	100	7.0
Orpheum Circuit Conv	8 (C)	2.6	110	F107	F84	102	7.8
Pure Oil Co	8 (C)	4.5	115	F108	F82	110	7.3
Radio Corp. of America	3.5 (C)	3.4	55	54	45	50	7.0
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	96	8.3

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac	7 (†)	1.5	105	105	68	104	6.7
Gulf, Mobile & Northern	6 (C)	1.2	No	109	15	107	5.6
Wabash "A"	5 (N)	....	110	73	18	74	6.8
Western Pacific	*6 (C)	F0.9	105	86	51	81	7.4
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	100	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	102	6.9
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	114	7 0
Willys-Overland	7 (C)	....	110	123	23	94	7.5

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings paid $1.44 extra in March. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

International Silver Co.

A Unique Industrial Investment

Large Earning Power Shown by Leading Manufacturer of Silverware—Dividend Prospects and Market Possibilities

By DUDLEY G. HARRINGTON

Six-Year Record of International Silver Co.

Bonds—$3,378,000: Preferred, 7% Cum.—60,286 shs. Common—60,798 shs.

	1920	1921	1922	1923	1924	1925
Net Operating Earnings (mil.)..	2.3	1.2	1.8	2.4	1.9	2.3*
% Depreciation to Net Oper. Earnings	30%	38.4%	23.6%	24.2%	35%	23.4%*
Earnings per Share on Present Common	$15.18	$0.30	$10.80	$17.92	$8.65	$17.76*

*Without deduction for extraordinary expenses.

THE virtue of patience has always applied with particular force to the investment field, although it is necessary that it be combined with discrimination and good judgment. Many enterprises, of course, never justify early expectations, and their securities are a source of loss to those who in desperation have held them year after year. Others sometimes require a great length of time to begin to realize their possibilities. A case in point is the International Silver Co. which has recently paid a dividend on its common stock for the first time in 28 years of existence.

The company, organized in 1898, was one of the first of the extensive combinations of that period, although on a much smaller scale than many of the gigantic consolidations which were to follow soon after. It was formed for the purpose of bringing under a single management the leading manufacturers of silver and silver-plated ware, the great majority of which were located in the state of Connecticut. The enterprise assumed an international aspect, however, by reason of the inclusion of some Canadian plants.

Failure to pay common dividends cannot be attributed to poor earnings as far as the last few years are concerned. On the contrary, between 1919 and 1925 the balance available for the common has been equivalent to amounts varying from $50 to $150 per share on the stock outstanding prior to the recent recapitalization, the only exception being 1921, when, owing to the general depression prevailing, only $7 per share was reported. What acted as a bar to disbursements at an earlier date were the arrears in preferred dividends and the internal difficulties in the way of effecting a recapitalization.

Although payments on the preferred had been made in every year since 1901, they were not always at the full 7% rate, and prior to 1902 the distribution totaled only 1¾%. Accumulations from organization until 1903 were paid in preferred dividend scrip in lieu of cash, but subsequent shortages simply stood as deferred obligations up to the end of last year except for occasional extras voted in the meantime. Commencing with 1918 the full rate at least has been paid without interruption. On December 31, 1925, all obligations of this character, including dividend scrip and 7% additional in arrears, were cleared up in connection with the plan of recapitalization.

Events leading up to this readjustment were of an unusual nature. International Silver in 1923 attempted to raise approximately $300,000 through the sale of a portion of its common stock held in the treasury. This treasury stock represented shares which had been repurchased by the company in the early stages of its existence because of the low market price prevailing at that time. Objections were immediately raised by certain common stockholders to the reissue of this stock on the grounds that such action would reduce the equity behind the shares at a time when earnings had reached sufficient proportions to justify the inauguration of common dividends. An injunction was sought and granted restraining the company from carrying out its plan of offering common stock to shareholders at $50 a share to the extent of one share for each 10 preferred or common held. The court considered it a discrimination between preferred and common stockholders to the detriment of the latter.

Litigation was brought to an end through an agreement reached near the close of last year whereby common stockholders only were given the right to subscribe to 51,445 shares of treasury common at a price of $75 a share, contingent upon payment by the company of all arrears in unpaid preferred dividends. This had the effect of increasing the common stock outstanding from 9,353 shares to 60,798 shares. Within a short time the common was placed on a $6 annual dividend basis.

The funds derived from the financing, in addition to strengthening the cash position, will facilitate the adoption of a more aggressive advertising and merchandising policy. It is the intention to replace hand work by machinery to a large extent, and, through the resultant economies and lower prices, to stimulate the demand for silverware products throughout this country, and eventually bring about a revival in export trade.

It has already been noted that International Silver passed through the depression of 1921 without incurring a deficit. This would indicate a certain measure of stability in the business, which is not illogical considering its general nature. Silverware is more widely used in making gifts, especially wedding presents, than for direct consumption, and retrenchment in the purchasing of gifts in the event of hard times is much less marked than in the case of luxuries as a whole. Assuming therefore that the company is able to maintain its trade position, it would appear to be reasonably well protected against an undue drop in earnings, particularly now that the source of the internal disputes has been eliminated. The well established position of the products, which include the well known Rogers Silverplate, should serve to prevent any loss in trade standing.

International Silver has developed an earning power which augurs well for a more liberal common dividend rate in the future. Disregarding extraordinary expenses for litigation and underwriting, the company in 1925 showed a balance equivalent to $17.76 per share on the increased amount of common, nearly 3 times dividend requirements.

The securities are dealt in "over the counter." The bonds and preferred stock enjoy a good investment status. Application to list the common on the New York Stock Exchange was refused owing to restriction of voting power to a basis of one vote for each two shares, to which fact the current market around 95, which is well below the high for the year, can probably be attributed. *Intrinsically the common appears to be attractively priced at this level.*

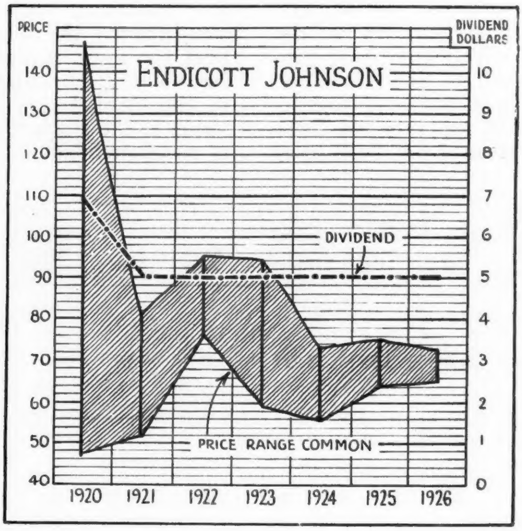
Endicott Johnson Corporation

A Common Stock for Investors

Remarkable Market Stability of Endicott Johnson Shares an Attractive Feature—Stock Offers Good Yield

By JEROME B. VANDERGRIFT

IT is comparatively seldom that a common stock possesses the necessary characteristics to be considered suitable primarily for income. While sound junior issues with reasonable assurance of unchanged dividends are at times available at prices to provide the purchaser with a better than average return on his investment, they cannot be said to qualify as vehicles for income only, unless their price range is sufficiently restricted to permit liquidation at any time under ordinary circumstances without undue loss of principal. As a rule, high yielding stocks move over a rather wide range so that commitments therein automatically assume the character of speculations.



For an industrial common stock the customary market action of Endicott Johnson common in this regard is decidedly unusual. Last year the price range on the New York Stock Exchange was only 11 points and up to date in 1926 but 7 points has separated the low from the high. It has the advantage from the investment standpoint of being without any important speculative following. Stability of market is a natural consequence of stability of earnings and absence of prospective dividend changes, but, in addition, there is a sufficient element of uncertainty inherent in a business of this nature to maintain the shares generally at a low enough point to yield better than 7%.

A dividend rate of 10% or $5 per share per annum on the common stock has been in effect for the last five years. Previous to that, $7 including one extra of $2 was paid in 1920 and $3.50 in 1919. The company in its present form dates back only to the latter year. The higher rate of disbursements in its early period was an aftermath of the abnormal prosperity enjoyed during the war. It is noteworthy that in the general deflation which followed, Endicott Johnson not only was able to operate profitably, but earnings after all charges were never less than $5 a share on the common in any year, the low point in this respect being reached in 1920 when $5.46 was shown, and this figure took into account inventory losses of more than 7 millions. The smallest volume of sales was recorded the next year, but net income was appreciably greater due to the smaller inventory adjustments necessary.

Endicott Johnson is a remarkably self-contained enterprise. It tans a large proportion of its leather requirements, and while this has not always been an unmixed advantage on account of the depressed state of the leather market, it undoubtedly contributes towards operating economies on the average. The company controls a number of retail shoe stores and manufactures its own rubber heels and rubber soles. It ranks first and second respectively in the output of rubber soles and heels. There are few organizations of its size which present so compact an appearance; that is, where expansion has been accomplished by the enlargement of its own circumference rather than by amalgamation with other concerns in the same line of business. Even the cities wherein the main plants are located have become interlocked with the enterprise through the assumption of the names Johnson City and Endicott.

All the manufacturing plants are situated in New York State. Average production of shoes is around 125,000 pairs a day. Concentration was formerly placed upon heavy work shoes but more recently the company has diversified its activities to the extent of introducing lines of higher grade women's and children's footwear. Expenses in connection with this partial transition have no doubt contributed some share towards the gradual decline in the margin of profit that has been in evidence in the last four years. The drop in the first six months of the current year was especially marked. Cost of sales increased $727,000 over the figure for the corresponding period of 1925 in face of a decrease in sales of $161,000. It would not be fair to regard this as a criterion for the future, however, inasmuch as the experience of the trade during the same period has been quite similar. Buying in the early months of the year was dull and falling leather entailed a certain measure of inventory losses. In recent months new business has been running ahead of 1925, and there is reason to believe that the report for the full year will reveal earnings comparable with those of last year.

Welfare work and profit sharing among employes have always played a prominent part in the policies of Endicott Johnson. Substantial sums are expended for the maintenance of medical relief stations, a staff of doctors and nurses, libraries, and stores at which supplies may be purchased at cost. The profit sharing plan calls for the distribution among employes of 50% of each year's surplus earnings after deduction of the regular dividend requirements of $7 per share on the preferred and $5 on the common. Such a policy reduces the equity of stockholders, but has the compensating effect of building up a loyal organization and keeping the labor turnover at a minimum.

The business was conducted on a partnership basis for many years prior to the incorporation of the Endicott Johnson Corp. in 1919. The company as at present constituted has never had any funded debt. The nature of the business requires the maintenance of rather heavy inventories which have always been financed by means of floating indebtedness to the banks. It is quite possible that the existence of bank loans in sizable amounts is one factor which serves to prevent the common from selling at a higher price level. There has been no question, however, of a sound liquid position, and the ability of the company to pass through the post-war period so favorably attests to the adaptability of this manner of financing to its own requirements.

The 7% preferred is an investment issue, but hardly attractive at current levels of 119. The common around 66 remains a good medium for income and also for moderate profit.

Stocks Paying Dividends in Odd Amounts Rated as to Prospects for Price Enhancement

A UNIQUE cross-section of the current market is presented in this tabulation of common stocks, in that only those have been included whose dividends are paid in uneven amounts exclusive of extras. While it will be noted that the actual dividend in many cases is relatively small, the consideration of percentage earnings and yields on recent prices suggests opportunities well worthy of the investor's attention. In order to set forth the issues in their most conservative light only regularly declared dividends have been recorded, with extras in cash or stock indicated by footnote. The earnings and dividend record of last year, expressed in terms of present capitalization, is offered in comparison with current rates and estimated earnings for the full year 1926, whereas the prospect for appreciation in value is indicated in the comments. As a digest of an important component of the market this table should prove of unusual value to the reader; and its retention for reference is recommended.

	Dividend Rate	Earnings $ per Share 1925	Divs. Paid 1925	Est. Earnings $ per Share 1926	Ratio Current Assets to Liabilities	Recent Price	% Yield †	% Earned § on Market Price	COMMENT
Ahumada Lead	$0.30a	1.21	0.30a	1.10	1.3:1	6⅝	4.5	16.6	Strongly sponsored Mexican lead producer now enjoying mild prosperity. However, ore reserves of rather limited extent indicate the company is not destined to long life as a profitable enterprise. Adversely affected by decline in metal prices. Stock holds little promise of material price appreciation.
Amer. Bank Note	$1.60	2.62	1.00m	3.25	5.9:1	44	3.6	7.4	Outstanding organization in its field. Controls the bulk of certificate engraving in the United States and also does a large foreign business. Has prospered considerably in the past few years but favorable internal developments seemingly well discounted marketwise. Hardly a tempting purchase at current levels.
Amer. Home Prod.	$2.40	3.38z	n. o.	3.35	4.3:1	25	9.6	13.4	The newest offspring of Sterling Products, controlling manufacture and sale of excellent line of popular family pharmaceuticals. Promises to eventually develop substantial and enduring earning power. However, stock too unseasoned to warrant purchase at this time.
Amer. Water Wks. & Elect.	$1.20	3.56	1.20	4.50	1.3:1	55	2.2	8.2	Gains in earnings have been pronounced and indicated larger dividend may be realized. Present price in line with earning power although yield is small. No larger appreciation possibilities, but at 45 stock would be very attractive.
Assoc. Dry Goods	$2.50	4.73	0.94m	4.50	9.3:1	41	6.1	11.0	Prosperous chain of dry goods stores in various cities. Owns entire capital stocks of seven stores and majority interest in Lord & Taylor, N. Y. Follows policy of apportioning earnings about equally between dividends and reinvestment in business. 4 for 1 split-up in stock last year. Present price represents fair valuation.
Beech-Nut Packing	$2.40a	5.38	2.40a	5.00	4.7:1	57	4.2	8.8	Activities well diversified and financial condition good. However, average earnings over a long period of years and indicated profits for 1926 form basis for belief that the common stock is selling high enough for the present.
Childs Co	$2.40c	3.91	2.40c	4.00	1.2:1	48	5.0	8.3	Chain of over 100 restaurants extending from coast to coast as well as some in Canada. About 50% located in Greater New York. Career of enterprise marked by steady growth. Decided element of interest added by reason of extensive real estate holdings and operations. Stock attractive chiefly for long term holding.
Chile Copper Co	$2.50	2.72	2.50	3.00	9.9:1	32	7.8	9.4	One of largest copper deposits in world. Low grade ores most of which are capable of being mined by steam shovel. One of lowest cost producers. Estimated reserves sufficient to last over 100 years. Majority interest now owned by Anaconda Copper. Early outlook hinges on sufficient copper demand to permit capacity production.
Commer. Invest. Tr.	$3.60	5.82	2.50	5.75	2.0:1	56	6.4	10.3	Recent formation German subsidiary and projected foreign subsidiaries to spread American installment sales financing abroad, should result in expansion of profits. Shows conservative dividend policy. Sound organization. Shares underpriced.

	Dividend Rate	Earnings $ per Share 1925	Divs. Paid 1925	Est. Earnings $ per Share 1926	Ratio Current Assets to Liabilities	Recent Price	% Yield †	% Earned § on Market Price	COMMENT
Continental Motors...	$0.80	1.60y	0.80	1.50y	5.3:1	11¼	7.1	13.3	Largest manufacturer of gasoline engines exclusively. Greater part of demand for product from manufacturers of assembled motor cars. Earning in excess of dividend requirements and some possibilities in connection with new Argyll single sleeve valve engine to be marketed next year, but fundamentally stock offers little attraction.
Devoe & Raynolds...	$2.40a	3.69n	2.42m	3.50n	8.1:1	33	7.3	10.6	Unfortunate speculative interest centered in the stock in former months has resulted in obscuring the real merit. On the basis of equity in established earnings and sound assets, the shares appear attractive, but have limited enhancement possibilities.
Exchange Buffet......	$1.50	1.73p	1.75	1.57p	1.9:1	15	10.0	10.5	Seemingly the "weak sister" among chain restaurant enterprises, earnings having shown a persistent declining tendency over a four-year period. Further decline in net indicated for current year. Working capital apparently inadequate for company's needs. Shares have little to offer.
Federal Lt. & Trac...	$0.80c	1.42	0.80cm	1.70	2.1:1	38	2.1	4.5	Excellently managed utility system, largely in Southwest, pursuing a stock dividend policy. Recent bond financing on attractive basis shows high credit position. Earnings show steady gains. Would be attractive at a slightly lower level. Stock dividend policy has hitherto been constructive.
Federal Motor Trucks.	$0.80c	3.08	0.60	3.50	5.0:1	25	3.2	14.0	Manufacturer of motor trucks and buses. While a satisfactory showing has been made under favorable conditions heretofore prevailing, increasingly keen competition and lessening demand for its products lends uncertainty to future. Stock unattractive.
First Nat. Stores.....	$1.50	2.56	....	2.60	2.8:1	28	5.4	9.3	Occupies a strategic position in the cash-and-carry grocery business in Boston and vicinity. Restaurateur on a small scale. Long range outlook is for moderate expansion in business and earnings but shares seem to be selling in line with visible prospects. Will probably be available to somewhat better advantage.
Gabriel Snubbers, A...	$2.50a	6.57	1.25	6.25	5.1:1	27	9.3	23.2	Entirely speculative owing to dependence upon varying fortunes of motor industry on the one hand and specialized product on the other. Business peculiarly susceptible to encroachment of competitors. Maintenance of present earning power too largely based upon continuation of existing contracts or ability to replace them with others to make shares other than uncertain holding.
General Electric spec..	$0.60	10.81	0.60	10.00	4.3:1	11¼	5.3	89.0	Preferred as to 6% cumulative dividends, $10 par. Employed by company as medium for stock dividends on common. Ranks among very highest grade industrial stocks for investment only. Because of small denomination it is admirably adapted for purposes of small investor content with moderate yield in return for safety.
Gen. Gas & Elec., A.	$1.50g	1.50w	0.37½	2.75	1.2:1	41	3.7	7.0	Holding company with compact super-power subsidiaries in Pennsylvania and the Carolinas and spurs in other states. Engineering management high-grade. Earnings gain shown recently, but not attractive on yield basis. Complex dividend provisions not a bar to higher yields in future.
Gotham Silk Hose...	$2.50	5.35	....	7.00	3.4:1	65	3.8	10.8	One of most successful of the silk hosiery companies. Has record of progressive expansion in recent years, evidently based upon exceptionally capable management and shrewd merchandising policies. Specializes in "Gotham Gold Stripe" silk hose. Earnings indicate ability to pay larger dividend, but such possibilities seem discounted to fair extent in current market price.
Hudson & Man.......	$2.50	3.81	2.50	4.50	1.6:1	39	6.4	11.5	Under jurisdiction of Interstate Commerce Commission and hence free from disturbing influence of New York politics. Steady increase in traffic density and reasonable rates reflected in consistently expanding net profits. Should eventually pay more. Attractive as a speculative investment for patient investor.
Hudson Motor Car...	$3.50c	16.07n	3.00	6.00	2.7:1	44	8.0	13.6	Well managed motor car enterprise which has enlarged its scope of operations materially through successive price reductions, smaller profit margins being offset by greater operating economies. Reduced earnings this year indicate temporary saturation in this process. Stock worth watching but somewhat dangerous at this time.
Hupp Motor Car.....	$1.40c	3.19	1.00	4.00	5.6:1	20	7.0	20.0	Has enjoyed proportionate prosperity prevailing in automotive industry. However, competitive position is not particularly strong. Company is likely to feel the full effects of increasingly keen competition and contraction in operations, with a consequent lower margin of earnings. Unattractive.
Inland Steel..........	$2.50	3.52	2.50	4.75	6.7:1	41	3.7	11.6	Second largest steel producer in the Chicago district. Constitutes complete cycle in the industry from the mining of iron ore to the delivery of finished steel products. Indicated earnings for 1926 ample for dividend requirements. Stock mildly attractive from speculative viewpoint.

	Dividend Rate	Earnings $ per Share 1925	Divs. Paid 1925	Est. Earnings $ per Share 1926	Ratio Current Assets to Liabilities	Recent Price	% Yield †	% Earned § on Market Price	COMMENT
Kraft Cheese	$1.50c	7.78eq	1.50c	4.28q	3.7:1	62	2.4	6.9	One of the important manufacturers of cheese products. While gross earnings have shown an encouraging tendency to increase, keen competition and the consequent increased cost of sales, together with higher prices of raw materials, are reflected in earnings applicable to common shares. Common stock appears high enough.
Lambert Co	$3.50	3.63	n. o.	2.92s	1.6:1	70	5.0	....	Holding company owning 56¼% of outstanding 60,000 shares of Lambert Pharmacal Co., makers of "Listerine" in liquid toothpaste and tablet form. Lambert Co. stock's equity in first nine months' earnings of its subsidiary show about $4.52 per share for Lambert Co. stock, or at the annual rate of $6.03 per share. Asset value of parent company's stock is low and indicated earning power of the company places stock in unattractive light.
Lehigh Valley	$3.50	6.64	3.50	9.00	1.8:1	89	3.9	10.1	Strategic position of carrier may result in greatly increased value for the shares owing to continued open market buying for control. Anthracite strike in early part of year caused temporary recession, only to result in stimulation of earnings recently. Attractive on basis of earnings with speculative merger possibilities.
Life Savers	$1.60	1.83z	n. o.	2.25	5.5:1	21	7.6	10.7	Has excellent distribution of "package candies" through 8,000 jobbers who are well backed by company's advertising. Sales on the upgrade through new line of fruit drops. Company seems near peak of earning power and is capitalized accordingly. Material increase in value of shares unlikely at this time.
Liquid Carbonic	$3.60	d	n. o.	6.00r	2.7:1	50	7.2	12.0	Largest manufacturer and distributor of carbonic gases, used principally by "soda water" trade and bottling companies. Although new shares are not seasoned and income originates from luxury industry, the present per share earnings represent comfortable excess over current dividend rate, lending some speculative appeal.
Manhattan Shirt	$1.50	3.48	1.50	n. f.	4.9:1	23	6.5	....	One of the leading shirt manufacturers. Irregularity in earnings has been shown, though profits of $1.68 per share in the six months ended May 31, 1926, compare favorably with 10-year average. Common stock in speculative class with doubtful possibilities.
Miami Copper	$1.50	1.50	1.25	2.00	6.7:1	17	8.8	11.7	Medium cost copper producer with favorable past record. Received setback through exhaustion of high grade ore reserves but has made partial comeback through greater volume of output of lower grade, overcoming deficiency in quality by quantity and lower operating cost. Rise in copper market would offer some basis for moderate optimism.
Moon Motor Car	$1.50	6.13	3.00	2.75	4.3:1	13	11.5	21.2	One of minor passenger car manufacturers. An assembly proposition and hence has small investment in fixed assets, and equities behind shares are low. Fair showing made in 1922-1924 with record earnings in 1925. Has been losing ground rapidly of late and dividend was cut from $3 a share to $1.50 rate in October. Speculative issue with decidedly uncertain prospects.
Mother Ld. Coalition	$0.75	0.83	0.75	1.00u	3.0:1	5	15.0	20.0	Low cost vein property in Alaska. Producer of copper. Has returned large amounts to stockholders and was able to operate profitably during protracted copper depression since war. Controlled by Kennecott Copper. Formation of property such that extent of ore reserves difficult of determination, accounting for high yield.
Motion Pict. Capital	$1.50	1.62	1.12½	2.20	1.6:1	14	10.7	15.7	A finance company engaged in business of making loans to motion picture producers. Very small investment in fixed assets. Lack of data respecting character and diversification of financing done make appraisal of earning power difficult. Must be regarded as unseasoned issue with earning power entirely dependent upon future of borrowers. Seems high enough.
Moto-Meter Cl. A	$3.60	5.05	0.90	4.00	7.0:1	35	10.3	11.4	One of small automotive accessory manufacturers which has shown remarkable growth in earnings from relatively humble beginnings. Would now seem to have reached point where future income capacity will depend very definitely upon trend of automobile sales and production. Business too highly specialized to make shares attractive on other than speculative basis, and then only when purchased prior to period of prosperity for motor car producers.
Nat. Power & Lt	$0.80	1.42	0.40m	1.60	1.4:1	20	4.0	8.0	Electric Bond and Share interest affords excellent sponsorship. Properties primarily in important industrial sections Alabama, Tennessee and Texas. Recent refinancing in bonds strengthens position of common shares. Possibilities of dividend increase not remote. At about right price.

	Dividend Rate	Earnings $ per Share 1925	Divs. Paid 1925	Est. Earnings $ per Share 1926	Ratio Current Assets to Liabilities	Recent Price	% Yield †	% Earned § on Market Price	COMMENT
Onyx Hosiery	$3.20	4.53	....	n. f.	5.0:1	36	8.9	....	Manufactures and sells silks and textiles, principal business being in hosiery sold under "Onyx" and "Pointex Heel" brands. Earnings show wide variations common to companies engaged in silk manufacture. Marked improvement shown in current year. Recent rumors suggest merger or sale to Gotham Silk Hosiery. Seems high enough for stock of its character.
Packard Motor Car	$2.40a	4.84k	1.90c	5.27k	3.4:1	35	6.9	15.0	Presents a picture of sound finances and has derived its proportionate benefit from the late automotive boom. Well situated to withstand keener competition which appears to be in prospect but has probably reached its peak in earnings for the time being. The stock has investment merit but is not particularly attractive for profit purposes at this stage.
Paige Detroit Mtr. Car	$1.80	3.37	1.25c	1.75	2.3:1	12	15.0	14.6	Shifted production from higher grade to popular passenger car price class this year. Entrance into latter field, which is highly competitive, reflected in lower profit margins and smaller earnings. Has apparently lost more ground in recent months. Dividend not altogether secure. Stock unattractive.
Pure Oil Co	$1.50a	3.11q	1.50	3.70q	3.4:1	27	5.5	13.7	Sound oil company of secondary magnitude, presenting record of satisfactory earnings under adverse circumstances. Stands to benefit from improved oil conditions which seem to lie ahead. Large number of shares outstanding tends toward sluggishness marketwise, but long range stock market outlook clearly constructive.
Seagrave Corp	$1.20g	2.49	0.90	2.70	3.7:1	13	9.2	20.8	Second largest manufacturer of fire fighting apparatus with steady record of growth in earning power extending over a quarter century. Further expansion of earnings likely with growing needs of municipalities. Shares offer good income return and long range enhancement probabilities.
Sears Roebuck	$2.50	5.22m	1.50m	6.00	3.9:1	53	4.7	11.3	Largest mail order concern in world. Remarkable recovery shown from the severe post-war depression. However, increasingly keen competition is manifest and there has recently been talk of a merger with one of its important competitors. In the light of current earnings and visible prospects the shares seem to be selling high enough.
Shell Union Oil	$1.40	1.94	1.40	2.80	6.3:1	30	4.7	9.3	Extensive scope of company's production, refining and sales activities provide stable earning power for an oil company. Paying out only about 40% of net income in dividends and may increase present rate. Some investment merit but enhancement possibilities primarily of the long pull variety.
Thompson, J. R.	$3.60	4.88	3.00	5.75	1.6:1	47	7.7	12.2	Cafeteria restaurant enterprise operating in various cities, principally Chicago and New York. Fairly consistent earning power, good financial condition. Present dividend policy conservative but, at same time, the shares appear to have limited possibilities for price appreciation in view of static nature of earnings.
Tide Water Oil	$1.50	2.83	1.00m	3.00	6.9:1	27	5.5	11.1	Company merged with Associated Oil, now occupies stronger position in the industry. In view of increasingly limited marketability of these (old) shares, conversion into the new Tide Water Associated stock is recommended. Speculative issue with moderate possibilities for appreciation.
U. S. Smelt. R. & M.	$3.50	3.42	2.25	5.00	1.8:1	35	10.0	14.3	As an important producer of silver stands to suffer appreciable loss in income through decline in silver metal prices. Heavy volume of lead production on a profitable basis but adverse factor noted robs shares of much of their speculative flavor. Stock attractive only in event of recovery in silver prices.
Vick Chem Co	$3.50	4.56t	0.87½v	5.30t	9.4:1	48	7.3	11.0	Company and subsidiary engaged in manufacture and sale of package and proprietary medicines, principal product being Vick Vaporub, protected by trademarks in the U. S. and foreign countries. Marked stability in earnings shown over a five-year period. While the shares are not overvalued at present, speculative possibilities on the other hand, do not seem great.
Yellow Tr. & Ch., B	$0.72	2.13	0.21vc	0.69j	3.7:1	27	2.7	....	Taxicab and truck manufacturer with irregular record prior to acquisition of control by General Motors last year. Now amalgamated with old truck division of General Motors. Little basis in earnings for current levels for common. Price justified only by possible expansion plans being laid for future.

EXPLANATION OF FOOTNOTES

a Plus extras in cash. c Plus extras in stock. d Earnings of predecessor companies not comparable owing to capital changes. e Before pfd. stock sinking fund. g Payable in cash or stock. i After allowance for participating features on A & B stock. j 9 months only. k Year ending Aug. 31st. m In terms of present capitalization. n Year ending Nov. 30th. p Year ending April 30th. q Year ending March 31st. r Year ending Sept. 30th. s 6 months only. t Year ending June 30th. u Before depreciation and depletion. v Initial dividend. w Based on capitalization at close of 1925, after allowance for full year pfd. divs. and participating features of A & B. y Year ending Oct. 31st. z Consolidated record of predecessor companies on basis of present capitalization. n.o. Not organized. n.f. Not available, exclusive of extras, based on 1926 estimated earnings.

"Business Man's Investments"

THERE are a great many securities which are neither investments of the first rank nor are they attractive from the point of view of producing a quick profit. Still they serve a purpose in the investment field and in numbers comprise a very large group.

This security is sometimes spoken of as the "Business Man's Investment." From the standpoint of safety it is second grade. It might be the common stock of a well established, money-making corporation; the preferred stock of a moderately prosperous concern or the bonds of a weak company. If the prospects of the corporation which issues the security are such that improvement is anticipated, the security is said to be a "good business man's investment." On the other hand, if the company is going backward and appears to be in an unfavorable position to pay interest or dividends, the issue is sometimes spoken of as a "poor business man's investment." In any event, the factor of uncertainty is a prominent characteristic of this group of securities.

Who should buy securities of this nature and what purpose do they serve in the investment scheme of things? The name would seem to imply that they are especially suitable investments for a business man. As a matter of fact they are not. Almost every proprietor of a business has a large part of his capital subjected to the ordinary risks encountered in business. Usually the average profit is sufficiently high to offset losses that accrue. When the surplus profits are to be invested, it is usually the best practice to salt such surplus funds away in very conservative investments where the principal is safeguarded for future needs or unforeseen emergencies.

However, this "business man's investment" is, as a class, an ideal type of investment for the *investor who makes investment his business.* Just as the business man has a portion of his capital subjected constantly to the possibility of loss for the sake of a higher than average return on capital, so the investor who is in a position to assume a larger risk can obtain a more liberal income.

It is a maxim in the commercial world that losses are kept at a minimum and profits grow by constant attention to business. This holds equally true for the investor who turns to the investment field with his time, thought, energy and capital in the same spirit that one enters a business enterprise. And it is this type of investor who should look to the so-called business man's type of investment with the greatest favor.

Investment Lessons from the BYFI Educational Prize Contests

One of the Judges Stresses the Importance of Analyzing Personal Requirements—Prize Winners Announced

BYFI readers have turned the tables!

For many years the editors of THE MAGAZINE OF WALL STREET have been analyzing securities and outlining to readers the reasons why certain issues are good investments and why others are not to be considered so favorably. Then the BYFI Educational Prize Contests appeared and the readers had the opportunity of answering similar questions about securities pictured in each contest.

Hundreds of readers who participated in the contests investigated these companies, analyzed their statements and replied to the questions with a degree of accuracy that amazed the editors serving as the judges in the several contests.

Naturally, mistakes were made in answering these questions. Except in cases where the information specifically called for had appeared in previous issues of THE MAGAZINE OF WALL STREET, some of the contestants were not in a position to obtain the correct facts. The most numerous mistakes were faults of omission, however, or in other words, the contestant failed to consider important facts in making his appraisal of the security in question. On the whole, it was most impressive to note the keen judgment and the familarity of the readers with the securities selected for the contests.

This summary of the recent contests is made here because one of the judges in the contest observed the important fact that the majority of the contestants based their replies to such questions as whether they would buy or sell certain issues *almost exclusively on statistical information.* In other words, they would buy a preferred stock because it showed a certain earning power, high asset value, a good rating, marketability and other favorable factors. They would buy a common stock for other reasons and invest in a bond for still another set of reasons. In the majority of cases *the basis of selection was a set of statistical facts bearing on the security in question.*

> **CASH PRIZE WINNER**
> in the Contest which closed October 28
>
> *Walter G. Roden, Brooklyn, N. Y.*
>
> *Nine Next Best Answers*
>
> *N. C. Lehnertz, Baltimore, Md.*
>
> *J. Wade Miller Pittsburgh, Pa.*
>
> *Francis B. Herron, New York City.*
>
> *Walter N. Durst, New York City.*
>
> *L. G. Porter, Hanover, N. H.*
>
> *Harry D. Koch, Washington, D. C.*
>
> *J. A. Burns, New York City.*
>
> *Forrest M. Frey, New York City.*
>
> *George B. Zimmele, Jamaica Plain, Mass.*

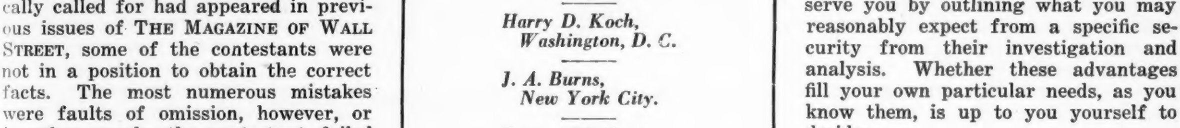
For the purposes of the contest, of course, such line of reasoning was most satisfactory, but aside from the contest, it appears likely to this writer that many readers of these columns place too much importance on *statistical information alone* and do not give adequate consideration to analyzing *their own personal investment needs.*

The truly successful investor must go one step further than merely to ascertain whether General Motors preferred, for example, is a reasonably well secured investment. The important consideration is whether this issue *is a good investment for him*—whether it meets his personal requirements better than any other available security. Some investors require a very high factor of safety. Some need a larger than average annual income return. Marketability may be an important consideration in the case of one investor but unnecessary for others. The personal requirements of still other investors may call for a security which has reasonably good prospects for growth in value over a period of years.

No one is in a better position to analyze these personal requirements than the investor himself. The most expert investment counselor may guess what his investment needs call for but the *investor himself really knows.* The editors of this publication, for instance, serve you by outlining what you may reasonably expect from a specific security from their investigation and analysis. Whether these advantages fill your own particular needs, as you know them, is up to you yourself to decide.

It is obvious that the educational value of these recent contests has been tremendous. They have been worth while, in fact, if they served no other purpose than to bring the editors and the readers into a closer understanding of the limitations as well as the value of the investment service extended bimonthly through these columns. And it is hoped that especially in the latter respect, these observations will round out the ultimate educational value of the picture contests.

Editor's Note: The prize winning answer submitted by Mr. Roden in the contest closed October 28 will be published in the December 4 issue. The name intended by our artist in this contest was American Locomotive Company.



These are the pictures that set hundreds of investors guessing

Aunt Clarabelle Goes in for Investment

The Story of a Lone Woman Who Strikes Out for Herself and Her Adventures in Investing Her Inheritance

By ELIZABETH SCHENCK SMITH

MY Aunt Clarabelle is a lone woman. She says she was so busy bringing me up for Uncle John, who is a minister, that she never knew it till she began to try to get 6 and 7% on her money.

"There's a conspiracy against a lone woman's getting more than 5%," she assured me. "It's no wonder a timid woman gets nowheres with all the warnings she encounters."

Our family said Clarabelle got big ideas when she came into her money,—and that at her age she ought to know better. We had always been professional people, ministers, some lawyers and one soldier, and none of us had so much money, but what Clarabelle's $22,000 seemed a sizable sum.

"In ten years she'll have lost it all," the family said, for Clarabelle suddenly developed a mind of her own.

"I've been poor all my life. Why, I haven't had a dress since I was sixteen that hasn't been an event." You might have thought this would make her too cautious, but she came at money with a fresh outlook. It didn't frighten her, any more than dependence had. For a long time she had worked and managed to feed us all on Uncle John's extremely small salary.

So this is the story of how my Aunt Clarabelle fought to get more than the safe 4 or 5% her banker suggested or the stationary 5% the broker would get for her—and how she set out to get a 5½% that would grow to 6 or even 7½% if she had figured right on her long-term investments, for patient holding.

"It's all a game with me," she said, and she was a great hand for games. "If I lose I'm no worse off than I was, —and I can't lose it all if I've got this diversification stuff right. I've been reading for six months, watching the papers; asking at the bank and goin' down to the bond houses. Now I'm ready to buy." Of such was her prudence and restraint in her new venture.

I knew what Clarabelle did, because she made me her heir and kept me informed. She didn't know the difference between a bond and stock when she began, so she didn't pay any attention to stocks for more than a year.

"There's enough to do learnin' about bonds," she avowed. Having no experience with investments, she feared that bond houses would crack up their own bonds while they kept pretty well silent on anything else that she asked about. So she determined to do her own thinking. There was a magazine that filled her needs. She got in the habit of waving it at me, every time she discussed her investment plans.

First she studied geographical diversification, and took it to mean as well, having things come due at different dates so as to be able to take advantage of various priced markets in re-investing; and going into utilities and railroads and industrials.

"I want my share of the profits of American industry, in this growing country," she declared sturdily when Uncle John told her to beware of the shakiness of business conditions.

"Your Uncle John is a good man," she confided to me, "but he don't know any more about business than we do. I expect there is no class gets so much good out of this MAGAZINE OF WALL STREET—" which she again waved at me, "as the professional class and us lone women. It don't so much warn and harp on us, as it does encourage. After living such a quiet life, investing jazzes me up like a detective story."

The first thing she bought was a first mortgage real estate bond, but after that she went in for more marketability.

"This magazine says to diversify, but when you go to buy (after you get it across that you ain't goin' to be too conservative) the people you buy from don't want you to diversify so much. They urge you to buy all the traffic will bear, double what you're willing. In the end you always got to make up your own mind in this investing business."

From the first geographical diversification appealed to Aunt Clarabelle. She never had been anywhere.

"And it's 'most like travelin' to buy something off in California," she confessed.

Her bond list on the next page shows how she diversified the first $10,000. She began to buy March, 1925, adding gradually as the months advanced.

About this time, my Aunt Clarabelle confessed to me that there wasn't so much excitement in bonds. She was feeling guilty.

"Lands knows! They impress on you enough that two-thirds of your list should be in absolutely conservative bonds, ... Now these stocks, Bobbie, might be interesting," she went on to me, "if it wasn't so distractin' having 'em talk so much about Bulls and Bears, when a person can't hardly distinguish between the two." I figured out for her that Bears bore down and Bulls tossed up the market, and she said that helped her in remembering which was which.

So she began on stocks, starting naturally with preferred, since her

banker, who was an old friend positively refused to buy common stocks for her. He bought protestingly: 10 shares General Motors Corp. pref.; 10 shares Famous Players-Lasky Corp. pref.; 5 shares Dodge Bros., Inc., pref.; 5 shares Willys-Overland pref.; at a total cost of $3,123, which paid $220 a year in dividends. He grumbled that there wasn't enough diversification, too many motors, but Aunt Clarabelle said:

"A body has to have some lee-way. I've hankered for an automobile all my life, and this is kinder like owning one by proxy."

Really she was looking for other worlds to conquer. She was desiring to get into that "live issue" she read about. She had dipped into American Tel. & Tel.

"'Pears like anybody that is anybody in this investing does that," she announced to me, "as a starter in common stocks."

When Clarabelle found a book recently published on common stocks, a new world did indeed open for her. It wasn't long afterwards that she told me,

"I've bought some common stock and I've made me a looseleaf book, in which I keep track of 'em, so that every few years I can see if they pay as well as my bonds and do as well as that man who wrote the book predicted. He sounds like a reasonable young man."

She had felt awful daring when she got those first shares of American Tel. & Tel., but she gained more confidence as the list progressed. Ultimately her stock holdings included: 5 shares American Tel. & Tel. com.; 10 shares Vacuum Oil; 10 shares Ill. Cen. R. R.; 20 shares Gen. Motors; 10 shares Westinghouse Manfg., altogether costing $6,108 and paying dividends amounting to $335 a year.

When she had made a $2,000 profit in five months on her General Motors, once more she had a bad time with the family. They kept reminding her "that nobody ever got poor taking a profit"; but she came back with the fact that if she had a real car she wouldn't be changing it for a new model every year, so she decided to stick with General Motors for the long pull. Now she has an added item in the ten additional shares she got in stock dividend, of $70 more for her income.

By this time all of her principal was invested, and she had learned about putting up collateral and borrowing to buy more. As we do not use quite all her income, she has borrowed from her bank, and bought ten shares each of National Biscuit, Union Carbide and N. Y. Central. These stocks cost her $3,212, which she is paying back to the bank month by month. They hold these new shares with her collateral. She signs a note, paying the bank interest, but the dividend she receives on the shares takes care of this interest. These shares, although held to secure the note, are in her own name.

The family to the contrary, my Aunt Clarabelle is no fool. When she gets through paying off for these last common stocks . . . . .

"I'll buy me two more good safe bonds. Got to have a few safe things for your inheritance," she tells me with a grin. "Bobbie, I can hardly wait for the newspaper in the mornings," she makes one last confession . . . . . "me who skipped the financial sheet for fifty years."

For my part, I have got so interested in my Aunt Clarabelle's investments that I am going to be the first bond salesman in our family, tho Uncle Jahn says that one investor in the family is enough.

Editor's Comment:

If Aunt Clarabelle's adventures in the investment field appear to be lacking in conservatism, it is so perhaps only in comparison with the experience of the average woman investor who sets out to place an inheritance in investments. Nevertheless, while undoubtedly venturesome for an inexperienced woman, one hesitates to criticize too severely. It is obvious that the heroine of our investment story has more than ordinary native shrewdness and wholesome common sense about securities which is bound to stand her in good stead. And her method of procedure, while presumably not so carefully thought out in advance, is still quite conventional.

Certainly, we cannot raise the usual criticism of rushing into an unknown field without adequate preparation. One might gain many practical pointers after six months intensive study, especially when one's interest is so closely bound up in the subject as is obviously the case here.

Aunt Clarabelle's Bond List

Baltimore and Ohio Conv.	1933 at 4½%	cost $925	income $45
Pacific Gas and Electric	1941 at 6 %	cost 1050	income 60
Strauss Bond	1940 at 6 %	cost 1000	income 60
Bethlehem Steel	1936 at 5 %	cost 911	income 50
Utah Power and Light	1944 at 5 %	cost 911	income 50
Commonwealth Edison	1954 at 5 %	cost 985	income 50
Southern Railroad	1956 at 6½%	cost 1067	income 65
Belgium Bond	1955 at 6 %	cost 875	income 60
Australian Bond	1955 at 5 %	cost 995	income 50
Argentine Republic	1958 at 6 %	cost 990	income 60
Total		$9709	$550

The Loose-leaf Note Book Shows These Figures

	Principal	Income
Bonds	$ 9,709.00	$ 550.00
Pref. Stock	3,123.00	220.00
Com. Stock	9,320.00	513.00
Gen. Motors Stock Div.		70.00
	$22,152.00	$1,352.00

Interest on investment about 6% with expectation of enhanced income through the years by holding.

The Speculative Account Bought on Borrowed Money

Shares		Div.	Price	Income
10	National Biscuit	$4	$ 900	$40.00
10	Union Carbide	5	900	50.00
10	N. Y. Central	7	1,170	70.00
2	more of American Tel. & Tel.; for which she paid in part with the rights she recently acquired from the Tel. & Tel Company		242	18.00
	Total		$3,212	$187.00

Age 60—When Safety is Paramount

Many Ways in Which Insurance Can Serve the Man or Woman Who Does Not Want to Take Chances in Later Years

By FLORENCE PROVOST CLARENDON

THIS is the fifth and concluding article in a special series by Florence Provost Clarendon which started with the insurance problems that one encounters in the early years of life and carried the discussion through to age sixty. As the age of the insured is an important consideration in the selection of the right kind of policy, these articles should render a most valuable service to our readers. The Insurance Department will be glad to answer individually any questions that might be raised through this discussion.

IN the case of a man who has been thrifty, capable, and conservative in his business career, it is probable that his insurance programme will be practically complete when he attains age sixty. He will have placed his essential life insurance in earlier years, and so will only need to pick up the stray ends of this protection when entering on the Mellow Sixties. The necessity for carrying life insurance to meet estate taxes had not loomed up so prominently in his earlier business experience, and it is quite possible therefore that the Man of Sixty will find this one of the reasons for considering additional life insurance.

Along other lines is the desirability of taking out life insurance for special bequests. The Man of Sixty at the height of a successful career will often plan to look beyond his immediate dependents in analyzing the disposition of his estate, and may wish to provide in a practical way for an elderly relative, close friend, or old employee in event of his death. A policy of life insurance in favor of the special beneficiary thus chosen is a definite and substantial manner of arranging such a bequest.

The proceeds of such a policy on the death of the insured may be paid to the beneficiary in a lump sum, in instalments over a period of years, or as an annuity for life. When paid as *income* a bequest of this kind is a practical and enduring remembrance. Moreover, the legatee would enter promptly on the beneficence of the inheritance, as life insurance proceeds are paid within twenty-four hours of the receipt and approval of claim papers. Money inherited by will from other sources usually takes a year—frequently longer if the estate is involved—before the estate is settled and the bequests finally paid.

Good Health Is Essential

After age sixty, impairments are apt to show themselves on physical examination, and high blood pressure, heart trouble, and degenerative diseases are prone to make the older man a substandard risk for the life insurance company, subjecting the applicant to an extra premium to meet the impairment. Indeed the applicant who combines advanced age with physical impairment may be refused outright the privilege of obtaining a life insurance policy.

If, therefore, the Man of Sixty wants additional life insurance, and can get it, he should lose no time in taking advantage of his opportunity for increasing his estate through this channel. Rates at age sixty are in conformity with the risk for the age. The premium on an Ordinary Life policy would run to approximately $61 per $1,000 on a non-participating basis, while the same policy on a participating plan would call for an annual payment of about $77, reducible by annual dividends.

Annuities for Self-Maintenance

Having planned the disposition of his estate and provided for his beneficiaries in event of his death, the thoughts of a man in the autumn years turn to his own maintenance and comfort in the future. His children are probably independent or self-supporting now, and his desire is to take life easier after his three-score years are passed. He will perhaps lighten his business duties at this time, and make plans to retire definitely from active work before another decade has passed.

To do this comfortably, he must arrange that his income will be derived from a source which does not call for continual watching, reinvesting, or worrying. He does not want to accelerate his heart action or run up his blood pressure through measuring off ticker tape or scanning stock market quotations. The Man of Sixty or Sixty-five who is releasing his business activities needs a regular income in stated amount. In such case an annuity purchased through an Old Line life insurance company is a particularly desirable investment. Absolute safety of any annuity is a prime necessity. Unquestioned security must back the annuity payments.

It is conceded that a life insurance company offers the best medium for this class of investment. The holdings of life insurance companies are spread over wide areas of the country in well balanced groups of diversified securities. The investments of such companies are necessarily conservative and judicious. Moreover, these investments are not only subject to the approval and supervision of the various states in which the companies operate, but the entire business of the life insurance company further safeguards the obligation to pay the annuity.

Who Should Buy Annuities

Take the case of a Man of Sixty who has retired from business with a capital of say $50,000 which he proposes to use as maintenance during the remainder of his life. If this were conservatively and safely invested in good long term bonds, the interest return could not consistently be assumed to run beyond 5% over a period of years. The return to the purchaser would mean a yearly income of about $2,500. But assuming that the Man of Sixty purchased an immediate annuity with this $50,000, he would, according to present annuity returns, realize there-

from an annual income of some $4,780. At age sixty-five, he would get an annual income of $5,450 from his investment of $50,000, nearly 11% on the purchase price.

No medical examination is required of the applicant for an annuity. The man in poor health should not apply for this benefit. It appeals to those elderly people who have a normal expectancy of a healthy and extended old age, and who wish to get the largest income that can safely be provided by their investment of principal.

The high income return from the purchase of an annuity is of course due in large measure to the fact that the investor's principal is definitely paid over to the company which guarantees the fixed income for life. But as statistics prove that annuitants live longer than other people—doubtless due to freedom from financial cares—the recipient of an annuity income can usually gamble on getting his money's worth.

A still broader and more comprehensive return is obtained for an elderly man and wife through the Joint and Survivor Annuity which provides a regular income during their joint lifetime, and also throughout the remaining life of the survivor. In the autumn days of life, the man and wife whose children have grown up and become independent should strive to safeguard their resources in order that they may enjoy a peaceful old age with no financial worries. The return is of course somewhat less from an investment in a Joint and Survivor Annuity than from an annuity placed on a single life.

Another point in connection with the purchase of an annuity which is especially interesting is that *annuitants are not required to pay a Federal Tax on income derived from an annuity until the amount of payments made equals the purchase price.* Thus, in the case of the Man of Sixty who pays a purchase price of $50,000 for an annuity which would yield him about $4,780 a year, as illustrated in a previous paragraph, the income would be free from tax for ten years; thereafter the tax would be imposed subject to the usual exemption. This is a fact of obvious substance especially to the well-to-do, and has an attractive appeal.

Changes Are Suggested for the BYFI Recommendations Table

TWO changes are suggested at this time in the BYFI recommendations which appear in the tabulation at the bottom of this page.

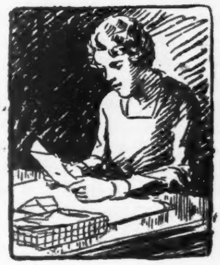
In the $5,000 Investment Group, a new preferred issue—American Water Works & Electric 7% cumulative preferred—is included at 104 to replace U. S. Smelting & Refining 3½ preferred ($50 par) currently selling at around $45. The drastic decline in silver prices is likely to effect an adverse influence on the earning position of the company which heretofore has obtained a substantial income from the sale of silver recovered from the ores treated. The market influence of this development has already been reflected by the common shares and to a minor extent by the preferred.

However, U. S. Smelting preferred is adequately protected in assets and earning power to warrant retention by those who may have purchased at higher levels, at least for the time being. Therefore, while it will be retained in this group with the specific recommendation to hold, new commitments are suggested in American Water Works & Electric preferred.

In the group, "The Next $5,000," which are selected for investment with enhancement possibilities, the suggestion is made to BYFI readers to replace Armour of Del. guaranteed 5½s of 1943 with Seaboard Air Line 1st cons. 6s of 1945 which, selling at around 96, occupy an approximately similar price level and provide a more attractive income. The Armour bond has moved slightly higher since it was originally recommended in this table but improvement in the company's affairs have not materialized to the extent anticipated for this year. As an investment with possibilities of price enhancement, the Seaboard Air Line 6s appear to be a desirable reinvestment in the present market, and hereafter will appear in place of Armour 5½s with a footnote to indicate the change.

BYFI Makes a Suggestion

to the Inexperienced Investor



These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts are recommended for deposit of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	103	5.25%

THE NEXT $1,000

†Baltimore & Ohio ref. 5s, 1995	98	5.10%
†Commonwealth Power 6s, 1947	104	5.60%
†N. Y. Steam Corp. 6s, 1947	104	5.65%
†Western Pacific 1st 5s, 1946	99	5.10%

*Available in $100 units. †Available in $500 units.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	96	5.30%
American Sugar Ref. 6s, 1937	104	5.50%
U. S. Rubber 1st 5s, 1947	94	5.50%
West Penn Electric $7 Pfd	98	7.15%
U. S. Smelting & Ref. $3½ Pfd*	45	7.75%
American Water Works & El. $7 Pfd	104	6.75%

THE NEXT $5,000(a)

Seaboard Air Line 1st Cons. 6s, 1945†	95	6.40%
Nassau Electric 4s, 1951	60	7.60%
Western Maryland 1st 4s, 1952	75	5.85%
Brooklyn-Man. Tr. $6 Pfd	86	7.00%
International Paper $7 Pfd	97	7.20%
American Tel. & Tel. common	148	6.05%

(a) This group is selected with a view toward probable enhancement in principal.

*Recommend to hold at present. †Recommended to replace Armour of Del. guar. 5½s, 1943.

MINING

How to Value Mining Stocks

Investor Must Understand Fundamental Difference Between Three Types of Mining Companies—Depletion Charges a Vital Factor

By W. W. SMITH

THIS is the second of a series of four educational articles. The first article "How to Value Public Utility Common Stocks" appeared in the Nov. 6 issue. The next two articles will deal with the characteristics of railroad and petroleum securities. Each article is accompanied by a rating of all the stocks of the group listed on the N. Y. Stock Exchange

ALTHOUGH the mining company is one of the oldest of profit-seeking enterprises, its methods of operation and financing have probably changed less during the past hundred years or so than any other major industry. In the earliest stages of mining as an industry, courageous gentlemen with surplus capital for investment subscribed for the shares of the new company to an amount determined by the probabilities of the ore bodies, as could be determined by surface showing. By projecting shafts into the ground during the early period of development, one gained some idea finally as to whether or not the investment was likely to produce a profit. Then the project was either abandoned or the capital was increased to meet the cost of further development and the erection of mills to treat the ores.

Sometimes the profits on the original capital have been (and still are) very generous—many times such ventures prove to be entirely worthless with only a small portion of the original capital or none at all remaining in the treasury when the project is abandoned. At any rate, a mining investment during the development stage carries the inherent risk of "finding" valuable ores and bringing them to the surface at a cost which permits of their sale at a profit. Technical improvements in recent years have taken some of the risk out of mining ventures, making it possible in many instances for geologists and mining engineers to avoid costly development of locations where profitable operations are hopeless. Diamond drilling is a considerable improvement over guess work when it comes to estimating the extent of underground ore bodies. But, nevertheless, the important fact still remains that the miner is never quite sure what he will find in the shaft until he brings it to the surface for examination and treatment.

Other things being equal, the inherent risk in a mining investment is determined to a large degree by the extent upon which the company is dependent on finding new ores. Some companies such as Chile Copper, for example, have such extensive ores that the element of *finding* is negligible and a considerably more important consideration is the cost of bringing the ores to the mills and ultimately selling the metal at a price which permits a profit. Other companies such as *American Smelters* are primarily a manufacturing proposition, buying ores from other producers and preparing the metal for sale at a manufacturer's profit. *Investors should distinguish very carefully between the three major groups of mining companies, namely, the development company, the mining company with proven ores and the smelting or manufacturing company where the mill problems overshadow mining uncertainties. In each instance, the investment values of the shares of stock are determined on a different basis.*

Of these three groups, the development company shares are the most elusive when it comes to an appraisal of intrinsic investiment value. It is rare (if ever) that a new mine development company can be discussed in investment terms. In the first place, there is no definite prospect of immediate return, except only from market enhancement of the shares if the early development proves successful. In the second place, there is no assurance (except expert opinion) that ore bodies of workable value will be obtained in large quantity, until the shafts are sunk and the ores brought to the surface. In the third place, should the ores prove up to expectation the company is confronted by new problems in erection of mills, smelters and transportation facilities to market the metal.

The large investor has the advantage in many instances of a confidential report on the properties to be exploited from his own engineers. The small investor, on the other hand, is compelled to rely almost entirely on the reputation and good faith of the management. Promotors of a new mining proposition are more likely than not to permit themselves to become unduly optimistic concerning the unknown factor which they are attempting to finance. Such enthusiasm has been known to sustain market values for mining stocks over considerable periods of time, but ultimately the value will rest on the degree to which the operators are able to develop their physical properties.

The Operating Mine

The operating mine with extensive reserves of blocked orebodies and efficiently operated mills for treating the ores can be appraised on a more accurate basis than merely the reputation of the management for shrewd and experienced judgment in selecting likely properties for exploitation. *Operating costs per pound of metal after all reasonable charges which arise in each*

phase of operations from the mine pit to delivery of the refined metal is the most important individual factor in the appraisal. The known life of the ore reserves based on present mill capacity is also an important consideration but one that may be offset by adequate depletion charges. If the depletion figure is reported, it is quite likely to be conservative, because tax considerations make it advisable to make heavy charges against depletion. *Frequently, an ultra-conservative policy in the matter of depletion write-offs (for tax purposes) may represent hidden earning power behind the shares which the investor should also take into consideration.*

On the other hand, a number of the older mining companies are depleting their ore reserves without making adequate deductions from the income account. As this publication has pointed out many times in the past, such companies are steadily reducing their chief capital asset, (ore reserves) and the asset value as well as the earning power of their outstanding shares is being shaded year after year. If the full amount of income reported each year, or nearly so, is paid out to the stockholders, a portion of this income should be considered as a return of the principal and not as true income. By reinvestment of a portion of the dividends received in these instances, the investor can still keep his principal intact and obtain an income from it. Otherwise the investment must be considered a liquidating proposition, in the same sense that a manufacturing company might sell a parcel of its properties each year in order to maintain dividends.

The Importance of Adequate Reserves for Depletion

A conservatively managed mining company will take a certain portion of its annual income and establish reserves to offset depletion of the mines. It is considered good mining practice, whenever possible, to use these funds for the acquisition of ore bearing property, so that the company will not be compelled to depend upon custom ores bought from neighboring producers to keep the mills and smelters operating as its own ores become depleted. Frequently, these monies will be spent for exploration or development of the companies' own properties, thus providing new reserves as the old ore bodies become depleted. *Unless the company itself takes adequate steps to offset depletion of the mines, the investor must do so himself by setting aside a part of the dividends for reinvestment.*

Having satisfied one's self as to depletion charges, and being aware of production costs, another important consideration in a mining investment is the price outlook for the metals produced by the company. The most important non-ferrous metals as far as the investing public is concerned are copper, zinc and lead, the prices of which are determined by world market conditions. In the United States the consumption of these metals has been very satisfactory through the industrial activity of the past few years but the demand abroad has been quite disappointing. With the formation of the new export sales agency, representing most of the larger copper producers, it is anticipated that the future will hold more favorable marketing opportunities for this widely used red metal. The marketing situation as far as lead and zinc are concerned is by no means unfavorable. Gold has a fixed monetary value and the gold mining companies obtain a fixed amount of dollars per ounce of gold in the same way that the rates in dollars per mile are fixed for the railroads. But the amount that these dollars will buy in labor hours, materials, machinery, etc., have a decided bearing on the net operating income of a gold mining company. Like the railroad their profits are cut down by rising costs of materials and increase when the cost of living falls. Silver is losing caste as a monetary metal and the accumulation of large stocks of this metal are rather unfavorable for the immediate price outlook. As silver is present in other ore-bodies in reducible quantities, the price of silver has an important influence on the earning power of many of the large mining companies.

Market Comparison of Mining Stocks

Listed N. Y. Stock Exchange

	Recent Price	Market Rating	Reasonable Price Anticipation for A and C Ratings
Ahumada Lead Co.	6½	D	..
American Metal Co.	46	C	50-55
Amer. Smelt. & Refining.	134	A	145-155
Am. Zinc, Lead & Smelt.	8	E	..
Anaconda Copper	48	A	50-60
Butte Copper & Zinc	5	E	..
Callahan Zinc & Lead	1¾	E	..
Calumet & Arizona Mining	68	C	70-75
Cal'm't & Hecla Cons. Cop.	16	D	..
Cerro De Pasco Copper	62	C	70-75
Chile Copper	32	C	35-40
De Beers Cons. Mines	36	B	..
Dome Mines	10	E	..
Federal Mining & Smelt.	90	E	..
Granby Consolidated	31	D	..
Greene Cananea Copper	30	D	..
Homestake Mining Co.	61	E	..
Howe Sound Co.	42	B	..
Inspiration Cons. Copper	26	D	..
International Nickel Co.	35	B	..
Kennecott Copper	62	A	70-80
McIntyre-Porcupine Mines.	24	D	..
Magma Copper	36	C	40-45
Miami Copper	16	C	20-25
Mother Lode Coalition	5	D	..
National Lead Co.	151	A	160-170
Nevada Cons. Copper	16	C	20-25
Park Utah Cons. Mining	6	E	..
Rand Mines	44	B	..
Ray Cons. Copper	16	D	..
St. Joseph Lead	40	B	..
U. S. Smelt., Ref. & Min.	35	B	..
Utah Copper Co.	110	B	..

A—Possess investment merit with prospect for increase in value. B—Sound company with shares in neutral market position. C—Speculative but with prospects for increase in value. D—Speculative but with shares in neutral position. E—Speculative; shares not recommended.

Smelting and Manufacturing Concerns

In the mining group are also included the shares of metal companies whose principal activity is the treatment of ores rather than mining. Such companies as American Smelting and Refining, Anaconda or U. S. Smelting are typical examples. Apart from their own mining operations they buy ores at a price and sell the refined metals in the open market, making a manufacturing profit. In the case of such companies, mining costs and metal prices are factors of secondary importance. Their operating income is determined on much the same basis as any other manufacturing concern.

Anaconda Copper, for example, through the operations of its subsidiary the American Brass Company, is just as much of a manufacturing concern as the United States Steel Company. It is a fact, of course, that in the same way that U. S. Steel shows higher earnings during periods when there is a strong demand for steel products, Anaconda is more prosperous when there is an active demand for the non-ferrous metals. But over a period of years, average earning power depends upon the operating efficiency of the mills, the position of the company in the trade, its labor situation, marketing conditions, judicious buying of raw materials and sales of its finished products. Mining costs have, of course, some bearing on profits but are perhaps no more important in the case of a metal smelting company than in the case of any steel company whose shares would be appraised from a manufacturing standpoint rather than as a true mining company.

ANSWERS TO INQUIRIES

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CORN PRODUCTS REFINING

Several months ago, I bought 100 shares of Corn Products Refining Company at 41. The yield, of course, is only about 5% but it was recommended to me for market appreciation. Do you think there is a possibility of the stock selling around 60 this winter? Also is there a chance of the dividend rate being increased.—J. W. T., Philadelphia, Pa.

During the major part of 1925 Corn Products Refining faced a combination of high corn and low sugar. As a result, earnings of $2.16 a share on the common were the lowest in many years and but slightly in excess of dividend requirements. With cane sugar available in unlimited quantities at a very low figure it was but natural that this staple should receive the preference of bakers and confectioners. Now, however, the pendulum seems to be swinging the other way. Most of the change to date has taken place in the sugar industry. While it is rather too early to definitely state that it has turned the corner, there has been a stiffening in sugar prices with indications that the next sustained trend of the market would be upward. This will automatically render corn sugar more attractive for industrial uses, something which should work out to the profitable advantage of Corn Products. Corn prices have declined considerably from those of 1925 and have been responsible in large measure for the very good showing of the company in the year to date. Net for nine months was equal to $2.88 on the common, compared with $1.55 a share in the same period of 1925. Unless an unexpected advance in the price of corn takes place, fourth quarter returns should afford interesting comparisons. Predictions now being freely made that an extra dividend is pending seem not without a solid foundation. Hence, the shares have gained in speculative merit and while we will not attempt to forecast a peak price we feel that some price appreciation is warranted by circumstances.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. *Be brief.*
2. *Confine requests for an opinion to three securities.*
3. *Write name and address plainly.*

CUBA CANE SUGAR

Five or six years ago, I bought 50 shares of Cuba Cane Sugar Corporation stock at $23 a share. The improving outlook for the sugar market just now gives me hope of finally working out of my loss. I am considering averaging down my holding by buying 100 shares around current prices. Would this be wise?—H. E. S., Morristown, N. J.

After the deduction of interest, taxes, depreciation reserves, etc., Cuba Cane Sugar reported a net loss of $1,982,079 as the result of operations in the fiscal year ended September 30, 1926. This compares with a 1925 profit of $736,907, after the same deductions. This inferior showing was, of course, a direct reflection of the chaotic conditions existing in the sugar growing industry during the greater part of last year. In the latter part of the fiscal season, trade conditions brightened somewhat but this improvement was too belated and of too little importance to have material effect upon income account. However, since that time there has been a decided betterment, raw sugar prices showing a tendency to harden, with the outlook clearly for further progress along those lines. As matters stand today, it would appear that Cuban sugar growers in general and Cuba Cane Sugar in particular have seen the worst. From now on a gradual improvement should be noted, something which is morally certain to have a favorable effect upon the income account of this company. In view of these circumstances rather interesting possibilities attach to Cuba Cane Sugar shares. We suggest holding the stock but believe your interest in this company is already of sufficient proportions.

NEW JERSEY ZINC

Will you please let me know by return mail if New Jersey Zinc Company can be considered a good investment. My funds are limited and I have no other securities.. I will have a little money coming in soon and I am disposed to buy 10 shares more of this stock. I have 40 shares now, and it cost me 186.—A. L. D., Memphis, Tenn.

We think well of New Jersey Zinc as an investment but we question the wisdom of employing all of your funds in this or any other individual security, however meritorious it may seem. Diversification is a cardinal principle in the scientific investment of funds. Specifically speaking, New Jersey Zinc has much to commend it. Little of an official nature regarding the finances of the company is available, but its strong financial position is testified to by its record of superior earnings over a period of years. Net

(Please turn to page 168)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

THESE GREAT ENGINEERING DISCOVERIES

have revolutionized the whole trend of American automobile design

BLOCK TEST IN WILLYS-OVERLAND ENGINEERING LABORATORIES REVEALS AMAZING EFFICIENCY OF OVERLAND SIX "HIGH-TORQUE" ENGINE

Don't expect modern performance efficiency from an old-fashioned chassis. Don't look for present-day economies in an automobile designed 3 or 4 years ago. Study the modern trend if you seek the utmost for your money.

TO the average man "engineering" simply means a lot of technical graphs, charts and blueprints.

He never thinks of engineering in terms of performance, comfort and resale value.

Today, engineering is a subject very close to your pocketbook. To a large extent it determines the price you pay for a car, what it costs you to run it, and what you get when you sell it.

New engineering developments

Dramatic changes have recently taken place in automobile standards of design. Modern engineering science has developed a new type of motor car, different from anything you have ever known before.

Vastly improved performance. More power. Quicker starting. Quicker stopping. Plus greater operating efficiency . . . these are the brilliant achievements of modern design, today embodied in the new-type Overland Six.

To all outward appearances this car looks very much like conventional automobiles as you know them. Except that it is a great deal lower to the ground. And smartly European in appearance.

But hidden beneath the body are scores of vital eng neering improvements that have practically revolutionized its performance standards . . . improved its riding qualities . . . cut operating costs to a minimum . . . and added immeasurably to its length of service.

This new car is built to meet modern traffic conditions.

You can drive it at speeds of 40 to 55 miles an hour without strain on the engine.

Its "high-torque" super-efficient power plant has ample power to master the steepest hills in high. Gear shifting has been reduced to a minimum.

It has a low gravity center. An outstanding engineering feature due to these modern principles of design. This means safety. It means protection against sidesway and serious skidding.

A car of modern design

It took 2½ years to design and build the Overland Six. And in addition 12 months to test it. No car ever built received more careful study from the engineering standpoint.

It is a car of outstanding comfort . . . with more inside space . . . more cubic feet capacity than the average automobile of this price.

The result is ample comfort for 5 full-size passengers . . . with plenty of room to step in or out . . . room to stretch your legs with the utmost ease.

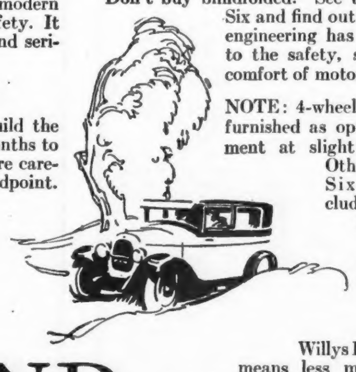
The seats are wider, the windows larger, the doors much broader. All features you'll certainly appreciate when you inspect rival cars of this price.

It is a strikingly beautiful automobile. Every line, every curve and contour is the result of painstaking study. A famous artist created it.

Do you wonder then that we urge you to see this wonderful new-type car—that we ask you to compare the values offered before making up your mind.

* * *

Don't buy blindfolded. See the Overland Six and find out how modern engineering has contributed to the safety, security and comfort of motoring.



NOTE: 4-wheel brakes are furnished as optional equipment at slight extra cost. Other Overland Six prices include: Touring $825; Coupe $825; De Luxe Sedan $975; f.o.b. factory.

The new Willys Finance Plan means less money down, smaller monthly payments, and the lowest credit-cost in the industry. Prices and specifications subject to change without notice.

OVERLAND

Six $835 F.O.B. Factory

Willys-Overland Inc., Toledo, O.
Willys-Overland Sales Co. Ltd., Toronto

Business Quieter But Steady

Caution Characterizes Buying—Prices Trend Lower

STEEL

No Definite Trend

THERE has been no important change in the steel industry either way. Mill operations have been affected somewhat and are in the vicinity of 78%, with the Steel Corporation at 83%. The market for finished steel is fairly satisfactory; but buying is still characterized by caution, and bookings were undoubtedly lower in October. Prices, considering the rather severe competition, have been exceptionally firm; and any improvement in the situation may result in higher quotations. Production and shipments are expected to work a little lower within the next few weeks, as there is nothing on which to base the belief that a revival of unusual proportions will occur between now and the end of the year. Much of the new buying appearing in about two or three weeks will be for 1927 requirements.

Railroad equipment steel purchases continue disappointing, with locomotives constituting the main activity.

Fuel is the chief factor in the pig iron situation. Some coke prices have

(*Please turn to page* 189)

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	17.00	19.00
Copper (3)	0.14⅜	0.13¾	0.13¾
Petroleum (4)	2.29	1.78	1.90
Coal (5)	2.88	1.75	2.88
Cotton (6)	0.21	0.12½	0.12⅝
Wheat (7)	2.10	1.45	1.53
Corn (8)	0.84¼	0.69	0.71
Hogs (9)	0.14⅝	0.11⅝	0.12⅞
Steers (10)	0.11⅛	0.09	0.10¾
Coffee (11)	0.20⅛	0.15¾	0.16¼
Rubber (12)	0.98	0.39	0.42
Wool (13)	0.54	0.43	0.45
Tobacco (14)	0.19	0.19	0.19
Sugar (15)	0.04⅝	0.04	0.04⅝
Sugar (16)	0.06	0.05⅛	0.05⅞
Paper (17)	0.03¾	0.03¼	0.03¼
Lumber (18)	24.40	22.90	22.90

*Nov. 6.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The decrease in steel activity has so far proved slight and the industry continues at a fairly even tenor, about 80% capacity. Prices are firm. Purchasing against 1927 requirements is expected to assume more sizable proportions in another two weeks. Earnings for 4th quarter will probably decline. Pig iron is in heavy volume production despite the scarcity in by-product coke.

PETROLEUM—Increasing pressure from crude production, which recently reached a daily average of 2.33 million bbls., is reflected in crude price cuts, ranging from 15 to 87 cents per barrel. Gasoline continues its seasonal decline in consumption while fuel oils are in active demand.

METALS—While the current market is disappointingly weak and inclined to dullness, the trade is basically optimistic. Consumers are not covered far ahead and foreign demand is expected to show early improvement.

RAILROADS—Earnings of Class 1 carriers for the first nine months of the year are nearly $90,000,000 in advance of the same period of 1925. The establishment of a high record for all time, in both gross and net, is anticipated for the year.

SUGAR—Recent lower estimates of both Cuban and World crops for the 1926-27 season have lent confidence to markets. Refiner buying maintains raw at steady levels, which, however, cannot be expected to appreciate before United Kingdom buying is released by the settlement of the coal strike.

MACHINERY—Whereas export trade registered a gain in nearly all classes of machinery during October, home markets were quiet not only in machines and tools but in electrical machinery and equipment. Agricultural machinery was seasonally sustained although now threatened by lower purchasing power—notably in the South.

SHIPPING—Improving freight and charter rates, rising out of heavy demand for tonnage incident to continuance of coal export during the height of grain movement, has put the industry on a better basis. With a world tendency toward better rates developing the improvement has some aspects of permanence.

BUILDING—Irregularities continue to characterize building operations. October contracts are large in the aggregate, nevertheless they fall 8% below September and 3% lower than October 1925.

RETAIL TRADE—Trade is reported in fair volume in nearly all sections. Mail order sales fell off slightly in October, with a somewhat depressing effect locally in the Chicago district, but chain and department stores continue to gain. Signs point to normal holiday retail season.

SUMMARY—While markets are perceptibly quieter than in previous months, the contraction has been orderly. Business conditions are steady although characterized by a prominent and salutary note of caution. The situation finds reflection in somewhat restrained buying.

THE BUSINESS OF TRADING IN STOCKS

(Continued from page 133)

one may construct a 2-unit, 5-unit, and an endless variety of charts of this type. The Stop-order chart differs from the Loop chart in that its fluctuations are always some exact multiple of the basic Unit, and the *Slope* (ratio of height to length) is much steeper. In the 3-unit Stop-order chart, for example, the slope is obviously about 3 to 1, against 1 to 1 on the Loop chart.

THE SPECULATIVE CYCLE As a matter of experience, it has been found that Speculative swings will cover vertical distances on the chart that vary from four Units upward; but that the *average* magnitude is about 11 Units, regardless of the size of Unit adopted. *Ordinarily, reactions during a Speculative swing will not amount to more than four or five Units.* If they run beyond this limit, it will usually develop that the old Speculative cycle has terminated and a new one begun. All this is shown on Chart (1) by the reversals in direction of the diagonal Trend lines. The theory of chance, applied to the Stop-order chart, confirms these observations. Reactions in Speculative swings of the Unit chart become counter-trend fluctuations when reproduced on the Stop-order chart. Theory shows that on a 2-unit Stop-order chart, for instance, only one counter-trend fluctuation in twenty amounts to more than five units. In other words, theory here confirms experience in asserting that reactions during a Speculative cycle rarely extend beyond five Units.

THE DOW LAW The reader will find in nearly every book on the technical aspects of Stock Market price movements a statement to the effect that reactions usually retrace from 40% to 60% of the ground covered by the preceding movement. This is known as the *Dow Law.* Of course the converse of this law should also hold good, namely that the ensuing resumption of the main movement will carry the price in the trend direction for a distance varying from 1½ to 2½ times the extent of the late reaction. Reduced to averages, this is equivalent to asserting that the typical Spec-investment price swing progresses by a series of zig-zag movements, losing about half of its progress on each reaction, then forging ahead about twice the reaction on the next move into new territory. But departures from this law are far too numerous to give it much forecasting value. Individual instances will show reactions that vary

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all the way from 5% to 100% of the preceding swing, followed by a price movement that bears no definite relation to the size of the reaction. The law applies only to the *average* reaction, over a long period of time. Thus stated, however, it may be confirmed by the theory of chance:—Any reaction may be transformed into a counter-trend fluctuation on some 2-unit Stop-order chart by choosing a sufficiently large basic Unit upon which to construct such a chart. But theory shows that the *average* counter-trend fluctuation on a 2-Unit Stop-order chart amounts to about 46% of the average size of the trend-direction fluctuations. —Q. E. D.

THE 50% LAW The Dow Law, however, is only a rough and quite variable approximation of a more general and exact law, which we shall refer to as: "The 50% Law." This law may be stated as follows: the theory of chance, conformed by experience, shows that *aggregate reactions during a Speculative swing total 50% of the aggregate movement in the trend direction.* Phrased in Unit-chart language, this law means that there will be about half as many Os as Xs in the Speculative up-swing, and about half as many Xs as Os in the average Speculative down-swing. The 50% Law applies even to Vertical Line charts. If the reader will trace, and add, the paths from the closing price of one day, up to the high of the next day, down to the low, then up to the close, etc., for each successive day; he will find that the downward paths during an up-swing total approximately 50% of the upward paths, and vice versa.

MECHANICAL SYSTEMS Any plan of trading by a set of rules that eliminate judgment is a Mechanical System. We do not go so far as to assert that no mechanical system can ever win, or even that they must all lose in the long run. Any carefully thought out mechanical system will show winning streaks, and a few will yield results on the credit side of the ledger year after year—we shall, in fact, describe one of the latter in closing this chapter.

The greatest objection to mechanical systems is the cost of experimenting with them. It would save an enormous amount of time and expense if enthusiasts would work out the theory of their systems by the mathematical laws of chance and probability before venturing real money on a try-out in practice.

Another drawback is that most mechanical systems, even though profitable over a long period of time, are likely to run into a long spell of adverse luck before the compensating period of good fortune sets in. This means that most system followers go broke, or lose confidence, before the tide turns. Another serious obstacle

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is that a system may work beautifully for a time, and then suddenly go all to pieces through some change in the market's characteristics or in external conditions. Finally: *Even the best systems call for so much capital in proportion to profits that one could secure a larger yield, with far less work and worry, by investing in bonds and preferred stocks on conservative margin; and sound market judgment will produce far greater profits than any mechanical system that can ever be invented.*

If some super-genius could ever devise a really safe and attractive mechanical system, the secret would soon leak out, and the beautiful scheme would be shattered by too much company. Mechanical systems may usually be classified under one of three headings: diagonal forecasting lines (or an equivalent counting of squares on the chart), which we have already covered at considerable length; stop-order methods; and scale order methods.

STOP-ORDER SYSTEMS The plan of buying (or selling) a stock when it emerges from a trading zone, with a stop-order placed slightly beyond the point of resistance, is very widely followed by traders, and will be discussed in a later chapter. This method is only semi-mechanical, however; for, though it offers a rule for getting in, there is no provision for getting out.

Another well-known plan is to buy (or sell) some speculative favorite, and follow up the trade with a sliding 1-point stop-order. This method is no longer workable for anyone but a floor trader, owing to the time lag of the tape in active markets; but it is feasible with a wider stop—say three points, or more. The reader will find it interesting to make a paper test of this plan from Chart (5). The method is to follow the immediate trend, as soon as it is indicated by a move of three full points in either direction, and then reverse the trade every time the price reacts three points in the opposite direction. He would thus buy at 120; sell out and go short at 121, making a gross profit of one point; cover and go long at 123, losing two points gross; etc. Striking a balance between gross profits and losses during the entire Spec-investment swing here reproduced, he would come out at the end of four months with a gross profit of 14 points on a total of 17 trades—just about enough to cover expenses; for dividends (not shown on the chart) would more than offset interest charges. By using a six-point stop-order the trader would probably come out with a slight net profit above expenses, over a sufficiently long period of time; but he would need a lot of capital and patience to carry him over the losing periods when a stock fluctuates within a narrow trading zone.

There are many variations of the stop-order plan; but the mathematical

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New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 11/10/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅜	90¼	111¼	70	140½	91¾	161	122	155	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100	94⅛	99¾	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	207½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	109¾	83½	103¾	6
Do. Pfd.	96	77¼	80	48¼	67¾	38½	73⅝	67½	73	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	67½	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86½	78	86	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	168⅝	146½	164	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	178⅜	112	164⅞	‡8
Do. Pfd.	..	..	..	..	130	96	171	119	†162	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14½	8¾	8¾	..
Do. Pfd.	181	130½	143	62½	76	7	24	14⅛	17⅝	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	83¾	65¼	77¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	68¾	40½	66¾	..
Do. 7% Pfd.	..	..	94¾	44	105	6½	105	96	104¼	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	95	83¼	95	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	183½	150¼	172½	9
• Delaware, Lack. & W	340	192½	242	160	260½	93	153½	129	147½	‡6
Erie	61¼	33½	59½	18¾	39½	7	40	22½	39⅛	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	50¼	33¾	46⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	46¼	7⅛	47⅛	30	†44½	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100⅝	50⅝	80½	68½	79¼	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	39	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	131	113½	122⅛	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	47⅝	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51	13	51⅜	34¼	43⅛	..
Do. Pfd.	.75½	56	65½	40	63¼	40	69⅜	60⅝	†64	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88½	39½	93½	75½	89⅛	3½
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45½	*¾	47⅛	29½	32⅝	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	93	6
Missouri Pacific	*77½	*21½	38½	19⅞	41¾	8¼	45	27	38½	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	95	71½	89¼	..
N. Y. Central	147¾	90⅜	114¼	62½	137½	64⅛	147½	117	134¾	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	204½	130	193¼	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	48⅜	30⅝	42½	..
N. Y., Ontario & W	55⅜	25⅛	35	11	34¾	14¼	28⅞	19¾	24½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	170⅞	139¼	164⅝	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	82½	65¾	78⅜	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	57⅛	48⅝	56	3½
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	113½	67	111	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	†109	6
Reading	89⅝	59	115½	60⅛	108	51⅞	100	79	87¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†39¾	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44⅞	40	41¾	2
St. Louis-San Fran.	*74	*13	50½	21	102¼	10¾	102	85	97	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	†62	..
Seaboard Air Line	27½	13¼	22⅜	·7	54¼	2⅛	51	27½	31⅜	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	48⅜	31½	37¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	110⅝	96⅛	106¾	4
Southern Railway	34	18	36¾	12½	120½	24¾	131¼	103⅝	118¼	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	95½	87½	†93¼	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	42⅛	50	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	168⅜	141½	162⅜	10
Do. Pfd.	118½	79¾	86	69	80	61¼	81¼	74¾	†79	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	40½	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	73¾	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†60	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	†11¾	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24⅜	16¾	†20	..
Western Pacific	..	..	25½	11	40	12	36¾	32¼	34½	..
Do. Pfd.	..	..	64	35	86½	51½	86¾	77½	81¼	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	25⅝	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	37	†43½	..

INDUSTRIALS

	Pre-War High	Pre-War Low	War High	War Low	Post-War High	Post-War Low	1926 High	1926 Low	Last Sale 11/10/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	136	99⅞	127	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7⅛	8	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	147	106	130⅞	4
Do. Pfd.	..	..	..	..	121¼	83	122¼	118¾	121¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	78¼	88	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	†107	7
Am. Agric. Chem	63⅝	33⅛	106	47¾	113¾	7⅛	34⅜	9	11¾	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	35⅜	39⅞	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	20½	†21¾	..
Am. Bosch Magneto	..	..	..	..	143⅞	28¼	34⅜	16	17	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅜	*21	63⅛	38⅞	51½	2
Do. Pfd.	129¼	98	114⅛	80	121⅞	72	126⅞	121	125	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	114⅞	91½	99¼	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	120½	†123½	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	123½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17½	7	†7¼	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33½	†38½	..
Am. Ice	..	..	49	8⅞	139	37	136	109	†124	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	31¾	37½	..
Am. Linseed Pfd	47¾	20	92	24	113	4¼	87	67¾	75	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	106	8
Do. Pfd.	122	75	109	93	124	96½	120¼	116	117½	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	44¾	†47⅛	4
Am. Radiator	*500	*200	*445	*235	*345	64	122⅜	101¼	109¾	5
Am. Safety Razor	..	..	..	..	76¾	*3½	70¾	42	63	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5½	6⅞	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	152	109⅝	135	8
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	120¼	112⅞	†117⅞	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	47	40	44⅜	3
Do. Pfd.	..	..	..	..	113⅛	78	115	110¼	†111½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	78⅜	5
Do. Pfd.	133⅛	110	123½	106	119	67½	105	100	†106	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	40	29¼	36	..
Am. Tel. & Tel	153⅜	101	134⅛	90⅝	145	92⅛	150¾	139⅝	148¾	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 11/10/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	124¾	111⅜	120⅜	8
Do. Com. B	..	..	..	..	*210	81¼	124	110⅛	120	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	71	63¾	56	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¼	42⅞	19	28⅝	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	†82	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51⅞	41½	49	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	41½	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	100	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	102	†104	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	51½	2
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	29	37⅞	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	33¼	†35	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	102	..
Austin Nichols	..	..	..	..	40⅜	8	28	7⅛	†8¼	..
Do. Pfd.	..	..	..	..	95	50⅝	93	54	55	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	92⅞	125½	7
Do. Pfd	107½	100¼	114	90	118	92	115¼	105	115¼	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	51⅞	37¼	44¼	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	103½	7
Brooklyn Edison Electric	134	123	131	87	156½	82	163	133	160¼	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	97¼	68	94⅜	4
Burns Brothers	45	41	161½	50	147	76	144	121	†128½	10
Do. B	..	..	..	..	53	17	44	26½	†29½	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	7⅛	13⅝	2
California Packing	..	..	50	30	136½	48¼	179½	66¼	69½	4
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	29¾	31¼	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	7⅛	7⅜	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	50½	..
Cerro de Pasco Copper	..	..	55	25	67½	23	73½	57½	63¼	4
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	32½	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	26	16	†25⅝	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	34¼	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	†100⅝	8
Coca Cola	..	..	..	..	177¾	18	165	128	163⅜	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	49⅜	27⅜	40⅝	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63½	84¾	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	29⅜	12½	20⅝	..
Consolidated Cigar	..	..	..	..	80	11⅜	81	45¼	74¾	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	115⅜	87	109⅜	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	73¼	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	49¾	35⅝	49¼	‡2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	125½	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	71	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	†8⅞	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	41	.
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	20¼	†23¼	1
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	43¼	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	23⅛	28	..
Dupont de Nemours	..	..	..	..	271¼	105	169¾	157	165¼	..
Eastman Kodak	*No Sales		*605	*605	*690	70	123	106⅝	119⅝	5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	94⅛	71⅛	82⅝	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	†66¼	5
Do. Pfd.	..	..	..	..	119	84	120	114	118	7
Famous Players-Lasky	..	..	..	..	123	40	127½	103⅛	115⅝	‡8
Do. Pfd.	..	..	..	..	120	66	124	115	†121	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	17¼	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	80	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	48½	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	76¾	83¼	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34½	19⅝	30⅛	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	94¼	50	77⅞	..
General Cigar	..	..	..	..	115¼	47	59½	46	53	4
General Electric	188½	129¾	187¼	118	337¼	109½	95½	79	83¼	3
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	173½	140¼	148½	7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120¾	113½	119¾	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	45	51	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	95	96	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109⅞	98½	99½	7
Do. Prior Pfd.	..	..	..	..	109	88	109	105⅜	106⅞	8
Granby Consolidated	78¼	26	120	58	80	12	35¼	16½	34⅛	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	27¼	18¼	19¾	¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	51⅜	55	5
Hayes Wheel	..	..	..	..	52⅞	30	46	23⅞	†25¾	‡3
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	53	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	40¾	43	3½
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	20⅛	1.40
Inland Steel	..	..	..	..	50	31⅛	43½	44½	†40	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	28⅝	20¾	28⅜	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	54¾	38⅛	54	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	43½	2
Inter. Harvester	..	..	121	104	149⅝	66¾	138½	112¼	129½	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	6	7⅛	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	35½	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	46¼	32⅜	35½	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63¾	44⅛	57	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	9	10⅛	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	43½	†44	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	63⅝	49¾	63⅛	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	39	39	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	61	4
Loew's, Inc.	..	..	..	..	44¾	10	48¼	34¼	35	2
Loft, Inc.	..	..	..	..	28	5½	11¼	6	6⅜	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	27¾	29½	3
Mack Trucks	..	..	..	..	242	25½	159	89⅝	93¼	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	37⅛	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	12⅝	†13½	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	16½	18½	..
Marland Oil	..	..	..	..	60½	12⅛	63⅜	49½	53¼	4

(*Please turn to next page*)

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	11/10/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	145¼	106⅞	139½	8
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13¾	6	9	..
Montgomery Ward	..	..	..	..	82½	12	83	56	66¼	4
National Biscuit	*161	*96½	*139	*79⅞	–270	35⅝	98½	74	93½	4
National Dairy Prod	..	..	..	..	81⅞	30⅛	80	53	67⅛	3
National Ename. & Stamp	30¼	9	54⅛	9	89½	18½	40½	21⅛	†27	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	†152	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	46¾	36½	†41	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32	†33	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	49½	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	52¼	49	50⅞	3
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	34¾	‡2.40
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76½	56⅛	†63¾	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	63⅞	6
Philadelphia Co.	59¼	37	48⅞	21½	68¾	26½	76⅝	59⅛	†71	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	43¾	..
Phillips Petroleum	..	..	..	..	69⅝	16	52¾	40	49⅛	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	23⅛	..
Do. Pfd.	..	..	109	88	111	13½	127¼	76½	109½	8
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42½	29	36½	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	99	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	43¼	44⅛	†39½	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	78½	†79	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	32½	31¼	31¾	..
Pullman Company	200	149	177	106½	173½	87¼	199½	145¼	175⅜	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	39	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25¼	26¼	1½
Radio Corp. of America	..	..	..	..	77⅞	25⅞	60⅞	32	58¾	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	16¾	10½	16¼	..
Reploglo Steel	..	..	..	..	93½	7¼	15⅞	8	9¾	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	56½	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	99	91¼	†97	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	47⅜	49⅛	3.08
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	81	4
Schulte Retail Stores	..	..	..	..	134⅞	88	52½	42½	45⅜	8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	58⅜	44¼	52⅜	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40½	†43⅝	2.17½
Shell Union Oil	..	..	..	..	28⅜	12⅛	30⅞	24	30½	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	28⅜	31¾	2
Simms Petroleum	..	..	..	..	28½	6½	28⅝	15⅛	17¾	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	16¾	18	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	31⅝	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	142½	103	†119	6
Standard Oil of Calif.	..	..	..	..	*135	47½	63⅝	52⅝	60⅝	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	41¾	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	115¼	116	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	92⅞	61	63	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	57	57	6
Studebaker Company	49½	15¾	195	20	*151	30½	62	47	50	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	†118¼	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10¾	11½	1
Texas Co.	144	74½	243	112	57¾	29	58	48	54½	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	47⅞	39	46⅝	3
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12	14½	..
Tide Water Oil	..	..	225	165	195	5½	39¼	27¼	27⅝	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	85	44⅞	78½	‡4
Tobacco Products	145	100	82⅜	25	115	45	116⅝	95¼	107¼	7
Do. Class A	..	..	..	..	110⅜	76½	118⅜	103	113¼	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	4⅛	..
Union Oil of Calif.	..	..	..	..	43⅜	33	58⅜	37¼	54⅛	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	109¾	83⅛	94	‡2
United Drug	..	..	90⅞	64	175⅛	46¼	171	134	162¾	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	59	55½	†57	3½
United Fruit	208½	126½	175	105	246	95¾	119½	98	116¾	4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	248½	150	207¼	10
Do. Pfd.	84	40	67½	30	113	38	109	100¼	†105	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	82	45⅜	79¾	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	58¼	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	50¼	64	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	†107	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	30	34	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	159⅝	117	146½	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	127¾	7
Utah Copper	67½	38	130	48½	111	41⅛	113	93	113	5
Vanadium Corp.	..	..	..	..	97	19⅛	43	29	41⅛	3
Western Union	86¼	56	105⅛	53⅜	144⅞	76	157⅞	134½	144⅛	8
Westinghouse Air Brake	141	132½	143	95	144	76	139½	105¼	129	7
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	68	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	26¼	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	56	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	20	..
Do. Pfd.	..	..	100	69	123⅞	23	99	88½	92⅞	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	12½	6	10⅛	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	175¼	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	19¼	22	..
Do. Pfd. A.	..	..	100	85⅞	98½	65	80	51	†..	7
Do. Pfd. B.	..	..	78⅜	50	81	53½	65	40	40¼	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	95¼	69	84	4

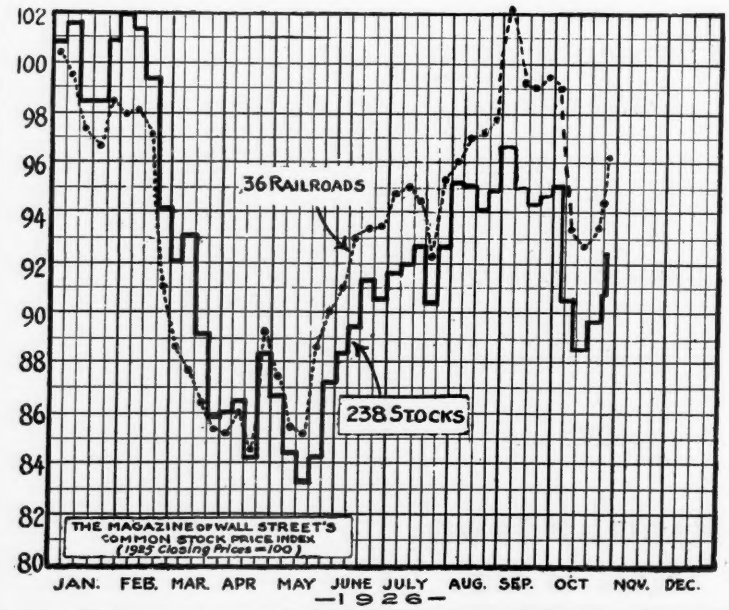
* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities Analyzed, Rated and Mentioned in This Issue

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices =100)

Number of Issues in Group	Group	1926 High Index	1926 High Date	1926 Low Index	1926 Low Date	Recent Indexes Oct. 30	Recent Indexes Nov. 6
238	COMBINED AVERAGE	102.0	2-6	83.1	5-15	90.7	92.5
36	Railroads	102.2	9-4	84.3	4-17	94.4	96.3
4	Agricultural Equipment	111.9	2-13	61.8	10-16	64.1	64.0
2	Alcohol	103.2	1-2	56.6	5.15	82.6	85.5
13	Automobile Accessories	104.4	1-9	78.0	5-15	80.6	81.4
16	Automobiles	104.0	1-9	66.7	5-15	71.5	71.0
4	Building Material	102.7	1-30	75.4	5-15	87.1	87.7
2	Business Equipment	106.2	2-6	82.2	4-17	99.5	101.7
10	Capital Goods	100.9	1-9	75.4	4.17	80.9	83.4
3	Chemicals	111.1	8-14	92.0	4-17	104.0	104.2
3	Containers	110.8	8-7	85.7	4-17	100.9	105.7
10	Copper	115.4	11-6	91.6	4-3	111.2	H115.4
3	Department Stores	101.0	1-2	67.6	5-22	72.0	73.4
9	Food	102.8	1-30	70.5	10.23	71.4	72.4
6	General	103.7	10-2	82.6	4-3	98.1	100.6
2	Leather	102.4	2-13	68.6	11-6	70.4	L68.6
2	Mail Order	101.6	1-2	75.0	5-15	86.6	86.3
4	Marine	110.8	3-13	74.4	10-16	81.7	84.4
2	Meat Packing	102.6	1-30	69.6	5-22	71.8	70.8
5	Metals	105.7	1-9	78.1	5-22	84.9	87.0
9	Miscellanoeus	129.4	9-11	93.9	4-17	122.9	124.5
31	Petroleum	102.3	1-9	85.2	10-16	90.3	90.6
12	Public Utilities	102.0	2-13	82.4	4-17	91.2	92.4
1	Radio	136.2	11-6	78.8	4-17	128.8	H136.2
6	Railroad Equipment	100.0	2-2	84.8	3-27	91.7	93.6
1	Real Estate	102.8	2-2	74.3	3-27	86.9	88.7
2	Recreation	117.2	10.2	98.6	1-23	111.0	112.4
6	Rubber	114.3	2-6	59.8	10-16	65.7	67.8
11	Steel	100.6	1-9	78.8	10-30	L78.8	80.7
4	Sugar	116.1	2-6	92.5	5-22	97.5	101.8
2	Sulphur	154.4	11-6	100.3	1-9	146.6	H154.4
2	Telephone	105.6	6-5	97.3	7-31	100.0	100.6
3	Textiles	104.6	2-6	57.7	5-22	77.2	73.3
9	Tobacco	134.4	10.2	94.5	4-17	125.1	131.7
3	Traction	128.7	5-29	94.0	1-16	117.0	127.0

H—New HIGH record for the year. L—New LOW record for the year.



(An unweighted Average of weekly closing prices, specially designed for investors. The 1926 Index includes 238 issues, distributed among 33 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

ANSWERS TO INQUIRIES

(*Continued from page 152*)

in 1922 was equal to $12.55 a share on the 490,811 common shares outstanding, followed by $13.03 a share in 1923, $13.05 in 1924 and $14.03 in 1925. Current earnings are understood to be running even with those of last year. The outlook seems entirely constructive. We believe you would be justified in maintaining an investment position in this stock, but in view of the limited funds at your disposal we feel it would be well to cut your holdings in half and employ the proceeds of sale together with your additional funds in other directions. We would suggest Brooklyn-Manhattan Transit 6s of 1968, International Paper preferred and Allis-Chalmers common for your consideration.

TENNESSEE COPPER & CHEMICAL

I have done so well on your advice on other stocks that I am going to ask you to give me your opinion on Tennessee Copper & Chemical Corporation. I bought 100 shares three years ago at 9⅛, and in March bought 50 shares more at 12½. Would you advise me to continue to hold the issues, and if you would recommend taking on some more.—R. J. B., Racine, Wis.

Much bullish propaganda was circulated in the latter part of 1925 regarding the prospects of Tennessee Copper & Chemical, but the mild boom in this stock collapsed when actual earnings of $1.03 a share were reported. The company probably sold more sulphuric acid last year than ever before in its history, but returns from other departments were not of the same high order. Tennessee has done much better so far this year, showing the equivalent of 81 cents a share earned on the common in six months, but in view of its record of mediocre past performances and the rather uncertain agricultural chemical outlook, one has no reasonable assurance that its present mild prosperity will continue over a protracted period of time. We are inclined to suggest a switch to Miami Copper as offering better profit possibilities. Miami's high-grade ore reserves have been largely depleted but the company has a huge tonnage of low grade and has increased its milling facilities to an extent whereby it is able to treat these on a profitable basis. The upward trend in earnings imparts a favorable speculative element to the stock.

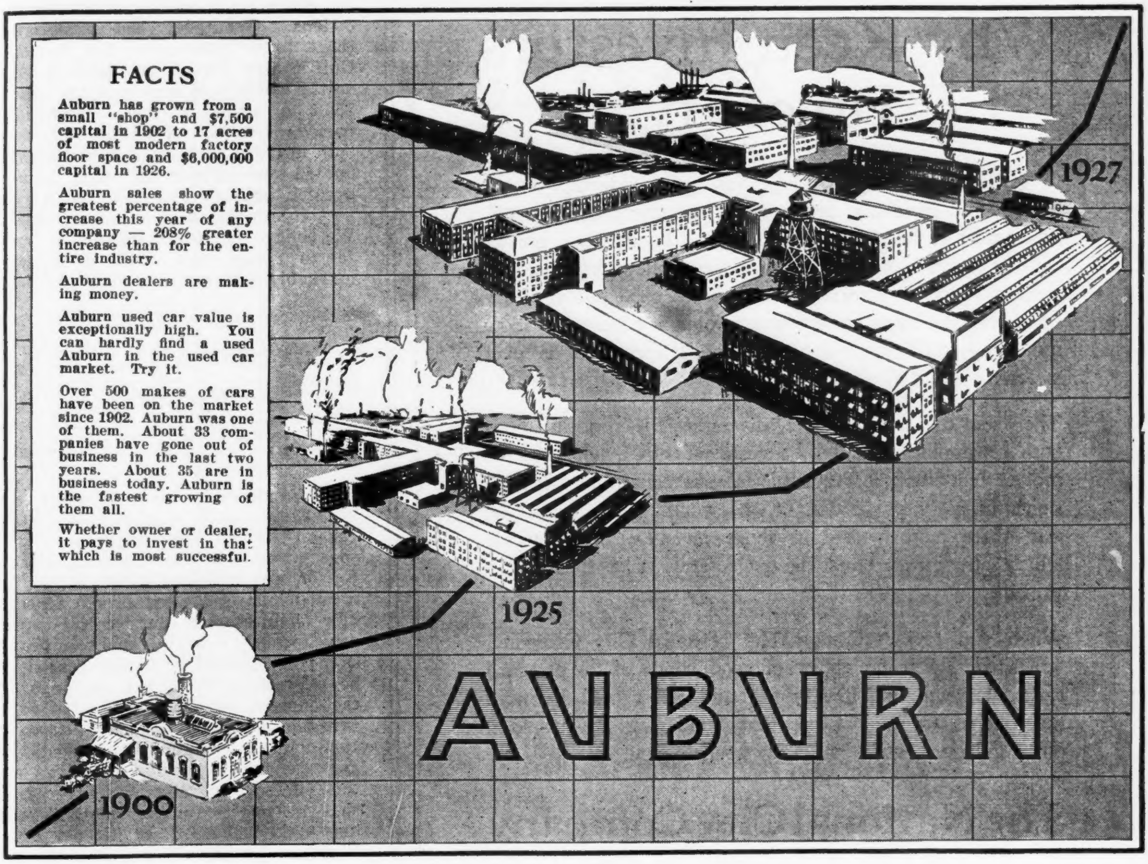
GULF STATES STEEL

I bought Gulf States Steel several months ago at 77, because I felt the yield was good and I was impressed with what I now feel was propaganda published in the daily newspapers. I have a 20 point loss, and the company does not seem to be earning the dividend. What do you advise me to do?—S. A. R., Kansas City, Mo.

The failure of Gulf States Steel to derive its proportionate benefit from this satisfactory steel year is puzzling as well as disappointing. Certainly, the plants of this company, thoroughly

(*Please turn to page 170*)

Capacity doubled to produce new line of cars



SOON—New Straight Eight and NEW Six at New Prices

The automobile world now expects E. L. Cord to do the "impossible." Unprecedented interest awaits his coming announcement. Auburn has made the greatest growth of any company in the entire industry in the last two years. What did it?

Public approval of Auburn's new styles, and new improvements, did it. Public demand for the greatest value for the least commensurate cost, did it. The enthusiasm of Auburn owners did it. The acknowledgment of Auburn's leadership by competitors imitating, did it.

Now, before others can even "catch up" Cord is ready to introduce a complete new line of cars that will place Auburn values even farther ahead of others today than they were 18 months ago. Wonderful new models, at remarkable new prices that will establish totally new standards by which all other values must be measured and readjusted. New cars built to out-perform, out-wear, and out-satisfy anything ever put upon the market.

These new cars are so well constructed, so advanced in every way, so far ahead of the times that Auburn sales rooms will be crowded and dealers everywhere will be seeking the Auburn franchise. Worth waiting for!

AUBURN AUTOMOBILE COMPANY, Auburn, Indiana

(*Continued from page* 168)

modern in every respect, are well situated to serve southern and seaboard points on a profitable basis. It has been stated that foreign competition seriously interfered with the company's business along the Atlantic seaboard and in South America and Cuba, but this does not sound convincing when one visualizes the very handsome showing made by Republic under like conditions. Whatever the explanation, there is no gainsaying the fact that Gulf States earned but $3.67 a share on the common in nine months, against $5.38 a share in the corresponding period of 1925. A slight betterment both in trade and earnings is indicated, but in our opinion it needs a much greater improvement than is in prospect to render these shares attractive. We believe you would do well to transfer to Youngstown which is doing remarkably well and has good prospects.

DETROIT EDISON CO.

You would greatly oblige me if you would give me your opinion on Detroit Edison Company. I bought the stock on your recommendation just about two years ago and paid 107½ for the 20 shares I hold. I intend to exercise the rights unless I hear from you to the contrary before their expiration. What do you think the stock will do in the next six or eight months?—E. A. M., Boston, Mass.

Much depends upon whether you view your stock holdings in Detroit Edison as an investment or as a speculation. In our opinion, Detroit Edison has sufficient merit to warrant its inclusion in the investment schedule of a business man, but we fail to perceive where material price appreciation from current levels can reasonably be expected. True, net earnings for the current year are estimated to be running about 15% above those of 1925, but the company is engaged upon an extensive expansion program, and the offering of new securities from time to time to further this will probably tend to keep down net per share. These new funds will undoubtedly show increased productivity in the course of time, which renders the long range outlook for the common stock fairly attractive, but the present situation and the visible future seem discounted in the present market value of the shares. We believe you would do well to switch to People's Gas Light & Coke. This latter stock yields a fair return and has good prospects for price appreciation.

INTERNATIONAL PAPER

I have been a stockholder in The International Paper Company for a number of years, the 100 shares having cost $71 a share. It has never paid me a dividend, but I have been living in constant hope that the company would eventually pay something. I suppose the new debenture bonds still defer the hope of dividend.—S. E. K., St. Louis, Mo.

We advise you to communicate with the secretary of your company at once. An initial quarterly dividend in the amount of 50 cents a share on International Paper common was paid on August 16 to stock of record August 4. You are clearly entitled to this payment and we are at a loss to understand why you have not received it. With reference to your inquiry, we

(*Please turn to page* 172)

It Pays To Sell What People Want

Form 1201

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its character is indicated by a symbol in the check or in the address.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT — J. C. WILLEVER, FIRST VICE-PRESIDENT

SYMBOLS	
BLUE	Day Letter
NITE	Night Message
NL	Night Letter
LCO	Deferred
CLT	Cable Letter
WLT	Week End Letter

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at W. U. Bldg., 7th & Walnut Sts., Kansas City, Mo.

B1210WA 59 BLUE 490

IOLA KANS 1000AM SEP 13 1926

W S COOK

2202 CARE DURANT MOTORS KANSASCITY MO

IMPOSSIBLE TO KEEP FIFTEEN CARS ON FLOOR AS THEY ARE BEING SOLD AS FAST AS THEY ARRIVE HAVE BORROWED SEVEN CARS FROM CARNETT DEALER HAVE RECEIVED TWENTY SEVEN CARS WITHIN TWELVE DAYS TWENTY FOUR DELIVERED THREE IN STOCK SEVERAL ORDERS AWAITING DELIVERY YOU HAVE ORDERS FOR FIVE CARLOADS UNABLE TO PUT ON LOW GEAR DRIVE UNTIL WE GET CARS

B T BARBER

421PM

This Star Car dealer who sold and delivered twenty-four Star cars in twelve days had no unusual advantages.

MORE POWER and SUPERIOR QUALITY

Low-cost Transportation

Star Cars

Improved Four and New Six

DURANT MOTORS, INC., 250 WEST 57th STREET, NEW YORK CITY

General Sales Department, 1819 Broadway, New York City

PLANTS: ELIZABETH, N. J. LANSING, MICH. OAKLAND, CAL. TORONTO, ONT.

(*Continued from page* 170)

place a favorable interpretation upon the new International Paper financing. The issuance of these debentures reimburses the company for extraordinary expenditures in carrying out its development program, and provides additional funds for the same purpose in the future. As stated in this column on July 17, for several years International Paper has been passing through the transition stage, accepting every opportunity to replace its old, high cost plants in the United States with modern, economically operated mills in Canada. Further, the development of its tremendous water power resources requires the outlay of huge funds. While it is true that the issuance of these debentures increases obligations ahead of the common, this new capital promises to speedily become productive and should not only comfortably support itself but add materially to net per share on the common stock. With its financial problems practically solved, and trade conditions satisfactory, Paper seems to face a satisfactory outlook. We believe you would be justified in continuing to hold your stock.

YALE & TOWNE

I have been the owner of 100 shares of Yale & Towne stock for several years, but I have been unable to watch it closely because I never notice any quotations on the stock in the newspapers. Where is it traded in? I have been advised that the company's earnings are increased nicely, and would be glad to know what you think of the likelihood of a dividend increase.—N. V. S., Des Moines, Iowa.

Yale & Towne stock is listed on the New York Stock Exchange but this security being very closely held transactions on the board are few and far between. However, a fairly broad and active market exists "over-the-counter." As you say, there has been considerable improvement in the company's affairs thus far this year. Net income for nine months ended September 30, 1926, after taxes and liberal depreciation write-offs, amounted to 1.73 millions, equal to $4.33 a share on the 400,000 common shares of $25 par value outstanding. This compares with 1.37 millions, or $3.42 a share in the same period of 1925. Yale & Towne, established in 1840, is one of the largest manufacturers of locks and builders' hardware in this country. "Yale" locks have been universally recognized for quality for many generations. The company has shown variable earnings in the past six years, due to rapid industrial transitions, but has generally covered requirements by a comfortable margin. The financial position of Yale & Towne is excellent, the ratio of current asset to current liabilities being better than 6 to 1. The company has no bank loans outstanding, and has working capital in excess of 10 millions. Cash, Government securities and other liquid assets aggregate 7 millions. The upturn in earnings is rather too recent to be accepted as portending an increase in the dividend rate but anything further along these lines may influence some such action. Possibili-

(*Please turn to page* 174)

NEW ISSUE

Subscriptions having been received in excess of the amount of the Share Units offered, this advertisement appears as a matter of record only.

November 16, 1926

120,000 Shares

Second International Securities Corporation

Cumulative First Preferred Stock,—6% Series

(Par Value $50 a Share)

Preferred as to assets and dividends over the Second Preferred and Common Stock. Redeemable on any dividend date on 30 days' notice at 105% and accrued dividends. Cumulative dividends payable quarterly January, April, July and October 1. Under the present Federal Income Tax Law (Revenue Act of 1926) dividends on this stock are exempt from the Normal Tax and are entirely exempt from all Federal Income Taxes when held by an individual whose net income is $10,000 or less. Transfer Agent: Guaranty Trust Company of New York. Registrar: The Bank of America, New York City.

The letter from Mr. Leland Rex Robinson, President of the Corporation, is summarized as follows:

Business: Second International Securities Corporation has been organized under the laws of Maryland to carry on the business of an investment trust. Its purpose is to afford its Stockholders safety of principal through broad international diversification and constant supervision; to invest and reinvest its resources in seasoned and marketable domestic and foreign securities; and to a limited extent to underwrite issues which are eligible for purchase under regulations adopted by the Board of Directors.

Capitalization: The authorized capitalization of Second International Securities Corporation is as follows:

600,000 Shares Cumulative First Preferred Stock (par value $50)
60,000 Shares Cumulative Second Preferred Stock (par value $50)
800,000 Shares Class A Common Stock (no par value)
600,000 Shares Class B Common Stock (no par value)

The Corporation reserves the right to issue bonds, notes or debentures to an amount not exceeding its paid-in capital, surplus and reserves. All of the authorized Class B Stock has been sold for cash to American Founders Trust for $1,800,000. The organizers have agreed to purchase for $3,000,000 in cash, 60,000 shares of 6% Cumulative Second Preferred Stock ($50 par value) proportionately as certain amounts of Cumulative First Preferred Stock are issued.

Provisions of Issue: No First Preferred Stock shall be issued by the Corporation unless the net assets (after deducting all indebtedness) taken at cost, including the proceeds from the First Preferred Stock then to be issued, equal at least 150% of the par value of the First Preferred Stock outstanding and that to be issued.

Investment Regulations: The Directors have adopted the following restrictive investment regulations:

1. The Corporation shall, within six months after its resources aggregate $5,000,000, and thereafter, own at all times at least 400 different marketable securities.
2. Not more than 35% of the total resources of the Corporation may be invested in securities originating in any one country other than the United States.
3. Not more than 3% of the total resources of the Corporation may be invested in any one security, except Government, State and municipal obligations, or securities of investment organizations, banks or insurance companies.
4. Information concerning the history, assets and earning record for a period of at least three years shall be obtained concerning each issuer, before authorization of purchase; except that a maximum of not more than 20% of the resources of the Corporation may be invested in securities of more recently organized companies, corporations, associations or trusts.
5. Not more than 25% of the resources of the Corporation may be invested in securities of any one of the following classes:
   (1) Banking institutions, (2) Insurance companies, (3) Investment organizations, (4) Railroad companies (5) Public utility companies.
   Not more than 12½% of the resources of the Corporation may be invested in securities of any other distinct class of business or industry.
6. At least 80% of the investments of the Corporation in securities issued by railroad, public utility and industrial companies shall at time of purchase have the following book value as compared with purchase price: (a) Bonds, 150% or more, (b) Preferred shares, 125% or more, (c) Common shares, 100% or more.
7. Securities owned, when ascertained to be no longer eligible, shall be sold within one year from such date.
8. The Corporation may underwrite issues of securities eligible for purchase, to an amount not exceeding in any case twice the amount of such securities which could be purchased for investment, but in no case to an amount in excess of 6% of total resources. The total liabilities incurred in underwriting shall not at any time exceed 20% of the resources of the Corporation.

Investment Service: Statistical service and investment counsel, subject to the supervision of the Board of Directors, will be provided by American Founders Trust for an annual fee of one-half of one per cent (½%) of the value of the Corporation's average resources, which fee shall constitute the only fee for this service.

120,000 Shares Common Stock, Class A

(No Par Value)

Dividends payable quarterly on the first days of January, April, July and October. Transfer Agent Guaranty Trust Company of New York. Registrar: The Bank of America, New York City.

Provisions of Issue: Dividends as declared by the Board of Directors shall be paid annually per share upon the Class A and Class B Common Stock in the following priorities:

First, up to $2.50 per share on Class A Common.
Next, up to $1.50 per share on Class B Common.
Then an additional $1.50 per share on Class A Common.
Then an additional $2.50 per share on Class B Common.

Thereafter additional dividends shall be paid equally on shares of both classes. Such dividends are non-cumulative.

Liquidation of Assets: In case of any distribution of assets, subject to the rights of Preferred Stockholders, the remaining assets shall be divided into two parts, in proportion to the amounts paid in on Common Stock of each class, and distributed pro rata.

Voting Power: The holders of the Class A and Class B Common Stock shall have equal and exclusive voting power per share for all purposes of the Corporation, subject to rights of First Preferred Stock to vote in event of default in dividends.

Legal matters in connection with these issues will be passed upon by Messrs. Seibert & Riggs of New York.

The information and statistics contained herein are not guaranteed, but have been obtained from sources we believe to be accurate

In Units of One Share of First Preferred and One Share of Class A Common

PRICE ON APPLICATION

American Founders Trust

A MASSACHUSETTS TRUST

First National Bldg., Boston

50 Pine Street, New York

(*Continued from page 172*)

ties along these lines seem well discounted marketwise, but the stock is worth holding as an investment.

FLEISCHMANN CO.

Please give me your opining regarding Fleischmann Company stock, which I purchased about a year agc at 52. What do you think of the market outlook as well as the dividend prospects?—J. J. T., Chicago, Ill.

Fleischmann Company, in reporting operating results for the September quarter, showed net income equivalent to $1.05 a share on the 4,500,000 no par common shares outstanding. This brought nine months earnings up to the equivalent of $2.98 a share on the basis of the present capitalization, against $6.53 a share on the 1,500,000 common shares outstanding in the third quarter of 1925. These earnings are the best in the history of the company. Fleischmann Company, operating in an essential industry, enjoys an ever increasing demand for its products. The company is the largest manufacturer of yeast and distilled vinegar in the United States. Competition in its line is not a serious factor to be reckoned with. Reviewing the history of the company to date, we note an amazing expansion in gross business and earnings over a period of years. In 1917 gross sales amounted to 25.5 millions and income to 2.2 millions, but this had risen to, respectively, 56.6 millions, and 13.9 millions in 1925. Considering the nature of the enterprise and its dominant position in the trade it is reasonable to expect that earnings will show a steady, natural expansion from year to year. However, such progress as had been made to date and visible prospects for the future seem well discounted in the present market valuation of the shares. Allowing for the probable continuation of the 25 cent extra dividend, the stock at present yields too low a return to warrant holding.

OTIS STEEL CO.

I bought some stock two years ago at $9 a share, and I don't believe the stock has had a range of over five points since that time. The broker who induced me to buy it is always telling me that the stock is going to do something interesting very soon, but it does not seem to take place.—G. E. M., Detroit, Mich.

As you say, Otis Steel common stock has long proved a disappointing holding, but considering the recent decided improvement in the affairs of this company it would appear that there are sound reasons to expect that it will eventually emerge from the rut in which it has traveled. From the standpoint of finances Otis is in better shape than it has been for years. The sale of 12 millions of First Mortgage 15-year 6% Sinking Fund Gold Bonds furnished a much needed addition to working capital besides permitting of the redemption of high interest bearing securities and the elimination of bank loans. The problem of liquidating accruals on the old preferred is practically solved by the acceptance of over 95% of these stockholders of inducements offered by the company. These

(*Please turn to page 176*)

(*Continued from page* 174)

embraced the exchange of new prior preference stock for the old preferred on the basis of 133 1/3% in new for 100% of old. Reflecting the improvement in its finances, as well as better trade conditions, Otis earnings have registered an advance over those of 1925. Net in six months was equal to $1.49 a share on the common, against $1.20 a share in the same period of 1925. In the light of these earnings it would appear that the common stock at current levels has interesting speculative possibilities of a long range character.

WHY OIL SECURITIES MAY LEAD THE NEXT BULL MARKET

(*Continued from page* 123)

many special conditions they are not truly comparable and also that these prices are often influenced downward by the low prices in the United States.

Among the countries which export oil or products are the following: Teheran, Persia, $1.29 per American gallon; Bogota, Colombia, 73 cents; Rangoon, Burma, 53 cents; Warsaw, Poland, 43 cents; Alexandria, Egypt, 40 cents; Mexico City, 38 cents; Lima, Peru, 30 cents, and Bucarest, Rumania. (American type overproduction) 15 cents. Where the large companies compete at Paris the price is 28 cents; at London 24 cents. The Mexico City price of 38 cents would allow the success of the shale industry.

Competition

The future of the United States lies not in foreign fields, but in America, through the intense competition which forces the great oil companies into the maximum of efficiency. It has stolen upon the industry almost without its knowledge, through the fear of shortage and the ambition to make profits through improved methods. It has made the American industry far more economical and less wasteful of oil than that of any foreign country. It has killed the last vestige of cooperation which has been supposed to exist between the larger companies of the old Standard Oil group and thrown them into direct and hostile battle for the control of raw materials and markets. It is the battle of costs, the attempt to so far take advantage of the crude situation, the technique of manufacture, and the satisfaction of the customer, that regardless of overproduction and reduced prices, the company in question will make a good profit.

Strangely enough, the old parent company has been forced into leadership of this fight, and thereby into being the cause of dissension among its former subsidiaries. That company has professed the desire to make oil prod-

(*Please turn to page* 178)

When King Dealer says — "*faster still!*"

Disconcerting though it may be to manufacturers, the dealer is still undeniably "king" in the distribution of countless products.

Old school manufacturers scoffed at the "coddling" . . . . at the "pampering" of dealers.

But in this day of "hand-to-mouth" buying, their successors have learned that . . . be it coddling or not . . . it is good business to meet the dealer's growing demand for better and faster service.

Distribution is perforce becoming decentralized. More and more manufacturers are seeing that the whole American market cannot be advantageously served without localized factories or warehouses.

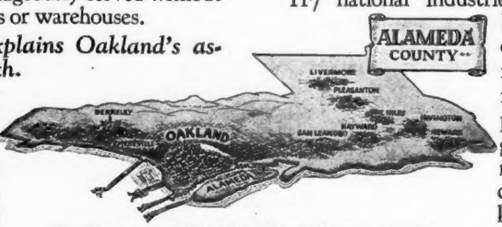
That fact explains Oakland's astonishing growth.

Oakland is the "chosen city" for Pacific Coast factory branches & warehouses... chosen because it has every prerequisite for manufacturing, shipping and marketing economy.

Oakland is closer to the whole West than any other great city. It has direct rail and water connections that save days and dollars for Western merchants and jobbers.

Buyers would rather deal with a branch factory here than with the home factory in the East or Middle West. *"F. O. B. Oakland" is a winning sales argument anywhere West of the Rockies.*

117 "national" industries already have branch factories or warehouses in this community. Abundant power, high grade labor, raw materials, concentrated markets . . . these or other advantages brought them.



This advertisement of Oakland and Alameda County,—the West's fastest growing industrial district,—is produced co-operatively by the Oakland Chamber of Commerce and the Alameda County Board of Supervisors.

Firms with branches in Oakland realize their advantage and capitalize on it. This is an advertisement published by one of them.

An interesting little book on Oakland is yours for the asking. Or, upon request from a business executive, we will prepare a special industrial survey for any industry.

Ask For It!

Market and Industrial Department, Oakland Chamber of Commerce

OAKLAND [AND ALAMEDA COUNTY] CALIFORNIA

"Industrial Capital of the West"

3-1126

(*Continued from page 176*)

ucts cheap, and it has certainly succeeded.

In the shortage of 1919-1920 it fostered the development of production in the United States and hauled a large quantity of Mexican crude which was a material factor in the following drastic break in prices. In 1923 it was an important builder of the cracking industry, and through its large fleet was able to haul great quantities of California oil, which backed up the Mid-Continent oil on the hands of the pipe line companies, and in breaking up the then profitable price of gasoline, created sufficient feeling to forever prevent any monopoly of oil in the United States of America.

The same company is now a leader toward the period of efficient use, and the consequent lowering of gasoline prices, for it is using its strength for the promotion of ethyl gasoline, which is one means of increasing miles per gallon. It is ridiculous to suppose that this company has not foreseen the results of its own actions.

Other companies have accepted the gauge of battle in this new form of competition and are continually forcing the contest. When the Mexican mirage faded, the Texas Company concentrated on the production of gasoline by all possible methods and today occupies an enviable position of leadership. The Gulf crowd, through years of persistent work, stand as leaders of the refining industry with costs as low as any, and with characteristic drive have achieved a strong position in production at home, in Mexico and in Venezuela. Standard of Indiana has used Wyoming as a backlog for its needs and has driven hard at the position of New Jersey by buying the Mexican reserve of greatest known magnitude, and the Lago property in Venezuela. California has been forced to fight for the preservation of crude in California, against contract stabs in the back by east coast refiners, since the flood gates are not yet securely fastened. Prairie, left high and dry as a buyer and seller of crude, has been forced into a period of metamorphosis from which it will appear as a fully integrated company. This is the real competition which benefits the public.

When the day comes that we must go after the twenty-six or more billions of barrels left in known fields or have to tackle the shale problem, it will be found that all of these companies are on familiar ground, with their specialists ready to face the future with full understanding and confidence. They are cognizant of probable future industrial changes in oil and have their minds made up as to methods of procedure, when the expense becomes justified. This cost competition, which forces modern industry into efficiency with the continual threat that laxity is financial death, will prevent American dependence on foreign oil, simply because prices will never reach the point where easy-going foreign monopoly, operating in semi-civilized regions, can supply us with oil at a profit to itself.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$4	Atlas Powder cm.	$1.00	Q	11-30	12-10
..	Atlas Powder cm.	$1.00	Ext	11-20	1-10
..	Beech-Nut Pack.	$0.60	Ext	11-24	12-10
$2	Brown Shoe cm.	$0.50	Q	11-20	12-1
$4	Cal. Packing	$1.00	Q	11-30	12-15
$4	Chic. Yell. Cab	$0.33⅓	M	11-19	12-30
4%	Chic. & No. W'n cm.	2%	SA	12-1	12-31
7%	Chic. & No. W'n pf.	3½%	SA	12-1	12-31
..	Childs Co. cm.	1%	Stk	11-26	12-30
$2.40	Childs Co. cm.	$0.60	Q	11-26	12-10
$2½	Chile Copper	$0.62½	Q	12-1	12-27
$9	Delaware & Hudson	$2.25	Q	11-27	12-20
$8	Diamond Match	$2.00	Q	11-30	12-15
$7	General Cigar pf.	$1.75	Q	11-23	12-1
$3	Hayes Wheel cm.	$0.75	Q	11-26	12-15
$7½	Hayes Wheel pf.	$1.87½	Q	11-26	12-15
$6	Homestake Mining	$0.50	M	11-20	12-26
$2½	Hudson & Manh. cm.	$1.25	SA	11-16	12-1
$2	Int'l Comb. Eng.	$0.50	Q	11-19	11-30
8%	Kinney, G. R., pf.	2%	Q	11-21	12-1
$1.75	Louis. G. & E. cm., A & B	$0.43¾	Q	11-30	12-24
$1.60	McCrory Stores cm., A & B	$0.40	Q	11-20	12-1
7%	Nat'l Lead pf.	1¾%	Q	11-19	12-15
..	N. J. Zinc	2%	Ext	11-20	12-10
$7	Norfolk & West. cm.	$1.75	Q	11-30	12-18
..	Norfolk & West. cm.	$3.00	Ext	11-30	12-18
7%	Onyx Hosiery pf.	1¾%	Q	11-20	12-1
$2	Orpheum circ. cm.	$0.16⅔	M	11-20	12-1
$4	Phillips Jones cm.	$1.00	Q	11-20	12-1
6%	Pitts. Term. Coal pf.	1½%	Q	11-20	12-1
$7	Reid Ice Cream pf.	$1.75	Q	11-20	12-1
$1.60	Stand. Oil of N. Y.	$0.40	Q	11-19	12-15
$3.60	Thompson, J. R.	$0.30	M	11-23	12-1
$4	Timken, R. B., cm.	$1.00	Q	11-18	12-4
..	Timken, R. B., cm.	$0.25	Ext	11-18	12-4
$3	U. S. Hoff. Mach. cm.	$0.75	Q	11-20	12-1
..	U. S. Hoff. Mach. cm.	$0.25	Ext	11-20	12-1
$7	U. S. Steel cm.	$1.75	Q	11-30	12-30
$2	Vacuum Oil	$0.50	Q	11-30	12-20
..	Vacuum Oil	$0.50	Ext	11-30	12-20
Spl	Vacuum Oil	$1.00	Ext	11-30	12-20
$3	Wrigley, Wm.	$0.25	M	11-20	12-1

Important Corporation Meetings

Company	Specification	Date of Meeting
Sears, Roebuck & Co.	Directors	11-22
Union Oil of California	Directors	11-22
American Safety Razor	Dividend	11-23
Anaconda Mining	Directors	11-23
Atlas Powder	Directors	11-23
International Shoe	Directors	11-23
Norfolk & Western Ry	Directors	11-23
Pennsylvania Coal & Coke Corp.	Directors	11-23
Public Service of N. J.	Directors	11-23
Texas Gulf Sulphur	Annual	11-23
Worthington Pump & Mach.	Dividend	11-23
Air Reduction	Directors	11-24
American Locomotive	Dividends	11-24
Calumet & Arizona Mining	Dividend	11-24
Childs Co.	Directors	11-24
Great Western Sugar	Dividends	11-24
International Paper	Pfd. Div.	11-24
Montana Power	Dividends	11-24
New Jersey Zinc	Directors	11-24
Packard Motor	Directors	11-24
Pittsburgh Coal of Pa.	Directors	11-24
Stromberg Carburetor	Directors	11-24
U. S. Hoffman Machinery	Directors	11-24
Wright Aeronautical	Directors	11-24
Advance-Rumely	Pfd. Div.	11-26
American Metal Co., Ltd.	Directors	11-26
Baldwin Locomotive	Dividends	11-26
Central R. R. of N. J.	Directors	11-26
Congoleum-Nairn	Directors	11-26
Consolidated Gas of N. Y.	Pfd. Div.	11-26
Corn Products Refining	Directors	11-26
Household Products	Directors	11-26
Kansas City Southern Ry.	Directors	11-26
Martin-Parry Corp.	Directors	11-26
Mathieson Alkali Works	Dividends	11-26
Paige-Detroit Motor	Directors	11-26
Vivaudou, V., Inc.	Directors	11-26
Yale & Towne, Mfg.	Directors	11-26

Read R. W. McNeel's

"Beating the Stock Market"

FREE

Merely by signing the coupon you will receive by return mail without obligation on your part a copy of "Beating the Stock Market" for one week's free examination. If after having read it you believe the book to be worth its price you can send the $2.00; otherwise you are privileged to return the book.

"Beating the Stock Market" is in its sixth printing. It has already been read by thousands of investors the world over, and almost unanimously has it been acclaimed the greatest work yet written on the subject. The best evidence is the voluntary testimony of those who have read it:

"As I am successful in placing this book in the hands of American investors, I shall be successful in reducing the number of those who lose money and increasing the number of those who make money in the stock market."
R. W. McNeel.

"Of all the books about the stock market I have ever read, none can even begin to compare with 'Beating the Stock Market.'

"I have reread it already several times and it is my intention to reread it every time I intend to buy or sell stock.

"I wouldn't take one hundred dollars for it if I couldn't repurchase it.

"I wonder why you don't ask at least $10.00 instead of two."

—*Dr. J. A. Saffir, Chicago, Illinois*

"I have read only one chapter of your little book and I have already discovered the volume is now selling at a market price approximately *but ten per cent* of its true worth; therefore, kindly accept my commitment for this most profitable speculative investment."

—*Dr. H. Y. Ostrander, Brooklyn, New York.*

"Just one chapter is worth all you ask for the book. It is just what I needed."

—*N. C. Lackland, Wilmington, Delaware.*

"I have just completed reading your book, 'Beating the Stock Market.' Were your charge five times the $2.00 or $10.00, I would still feel that I was getting more than value received, as I consider this the best work on this subject that I have ever read. There is more honest-to-goodness, common, ordinary horse sense in this little book, which if followed, would save thousands of investors from losing their money."

—*Willard P. Hawley, Jr., Portland, Oregon.*

"Anyone operating or contemplating operations in that fascinating field of what we may designate as 'Practical Finance'—whether investor or speculator—should read your excellent booklet *repeatedly*.

"If he is a beginner, he surely needs it; if he 'knows it all,' he probably needs it just as much."

—*H. E. Vogel, Springfield, Ohio.*

FINANCIAL McNEEL'S SERVICE

M

R. W. McNEEL, DIRECTOR

"An Aristocracy of Successful Investors"

120 BOYLSTON STREET

BOSTON, MASS.

Please send without obligation on my part a copy of "Beating the Stock Market" for one week's free examination. If after having read it I believe the book to be worth its price I will send the $2.00. Otherwise I am privileged to return it.

Name..

Address..

Cumulative Index to Volume 39.
Pages 1-100 Inclusive, November 6, 1926:

~The Best Investment~ Health and Recreation

The old North Wind is tuning up while Jack Frost peeks around the corner. Old man Winter will soon be back for his yearly visit, which reminds us again of that trip we have long wanted to take.

Where will it be? Cuba, The Mediterranean, South America, California, or Florida? Now is the time to make your plans, before the best of the reservations are taken.

Many readers have found in this department the information they wanted; the suggestions they needed in selecting the best resort or the best way of reaching it. Do not hesitate to call on us if you need any help.

For information on any listing or resort, merely check those desired and mail with your name and address to

TRAVEL DEPARTMENT

The MAGAZINE of WALL STREET

42 Broadway New York City

Scheduled Tours and Cruises

Round the World Cruise

S.S. EMPRESS OF SCOTLAND ....Dec. 2, 1926
S.S. BELGENLAND ....Dec. 14, 1926
S.S. RESOLUTE ....Jan. 6, 1927
S.S. FRANCONIA ....Jan. 12, 1927
S.S. CALIFORNIA ....Jan. 19, 1927

There are also many conducted cruises and independent trips. Information on these will gladly be sent if you will tell us where you want to go.

Great African Cruise

S.S. ASTURIAS ....Jan. 20, 1927

West Indies Cruise

S.S. FRANCONIA ....Dec. 22, 1926
S.S. MEGANTIC .... Jan., Feb., Mar., April
S.S. CALEDONIA ....Jan. 22, 1927
S.S. CALEDONIA ....Feb. 26, 1927

Mediterranean Cruise

S.S. HOMERIC ....Jan. 22, 1927
S.S. TRANSYLVANIA ....Jan. 29, 1927
S.S. SAMARIA ....Feb. 9, 1927
S.S. EMPRESS OF FRANCE ....Feb. 12, 1927
S.S. MAURETANIA ....Feb. 21, 1927
S.S. ADRIATIC ....Jan. 6 and Feb. 24, 1927
S.S. LAPLAND ....Jan. 15 and March 5, 1927

There are also regular sailings which include North African Tours.

South American Cruise

S.S. LACONIA ....Jan. 29, 1927
S.S. CALEDONIA ....Feb. 5, 1927

Scenic Rail Routes and Resorts

New York Central Lines
Operates through service between New York, Boston, Montreal, Toronto, Chicago and St. Louis.

Canadian Pacific Railway
Trans-Canadian Nova Scotia to Vancouver through Rockies and National Parks.

Northern Pacific Railway
Yellowstone Park and Scenic Northwest.

Southern Pacific
New York to New Orleans by steamship or rail connections.
Scenic Southwest all California Coast and Valley Points.

California Tours
The Redwoods, Yosemite, National Park, Mountains, Lakes, etc.

Pennsylvania Railroad
New York, Philadelphia, Atlantic City, Washington to Chicago and St. Louis.

Canadian National Railways
Quebec to Montreal, across prairies and Rockies to Prince Rupert and Vancouver.

Union Pacific
Central Route between Chicago and California over overland trail.

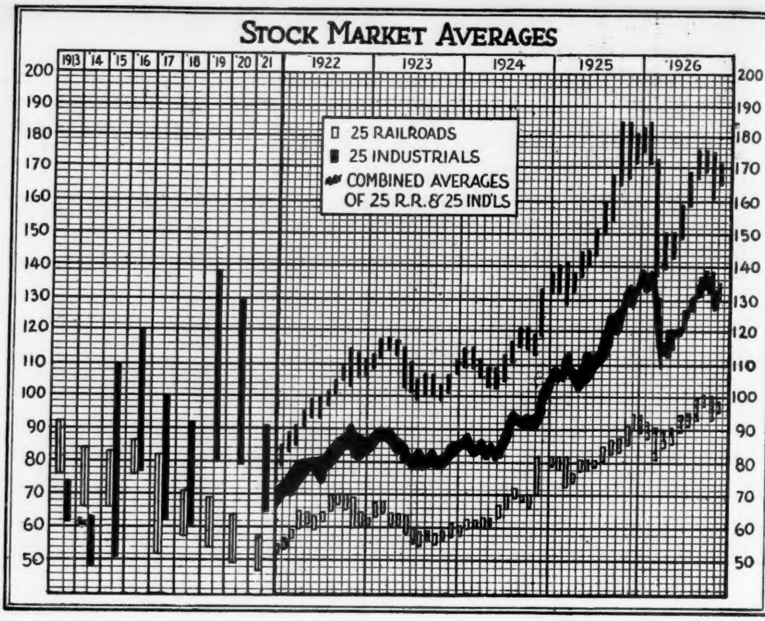
Sante Fe
Old Santa Fe trail to Southwest. Petrified Forest, Grand Canyon and other National Parks.

Hawaii
The Paradise of the Pacific. The land of Sunshine, Smiles and Flowers.

Yellowstone National Park
America's playground in the Rocky Mountains.

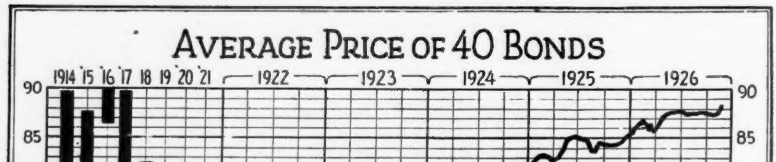
Seattle—The Pacific Northwest
The gateway to Alaska. Fishing, Hunting, and other sports.

Bungalow Camps in Canadian Rockies
Ideal way to enjoy a vacation. Beautiful scenery with all sports.



MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Thursday, Oct. 28..	88.06	151.45	118.15	132.76	131.05	1,740,86
Friday, Oct. 29....	88.22	150.76	117.83	131.94	130.65	1,159,342
Saturday, Oct. 30..	88.25	150.38	117.57	131.42	130.61	522,955
Monday, Nov. 1....	88.41	150.51	117.88	131.61	130.79	895.184
Tuesday, Nov. 2....		HOLIDAY		HOLIDAY		HOLIDAY
Wednesday, Nov. 3.	88.47	151.23	118.01	131.94	130.58	1,162,843
Thursday, Nov. 4..	88.48	152.76	119.25	132.81	131.17	1,442,572
Friday, Nov. 5....	88.61	152.88	118.95	133.62	132.39	1,572,215
Saturday, Nov. 6..	88.64	153.03	118.96	133.49	132.64	696,650
Monday, Nov. 8...	88.69	154.78	119.53	134.24	132.54	1,421,511
Tuesday, Nov. 9...	88.59	154.82	119.09	134.92	133.21	1,505,929
Wednesday, Nov. 10	88.63	153.41	118.43	134.31	132.72	1,357,640



ꓔHE BUSINESS OF TRADING IN STOCKS

(*Continued from page* 160)

heory of the one just outlined is quite simple. According to the laws of hance, the average fluctuation on a Stop-order chart contains a number of Units equal to 2.2 times the size of the Stop-order. On a 3-point Stop-order hart, like Chart (5), there would be 6.6 Units in the average fluctuation. Three of these would be missed in getting in, and another three lost through he Stop-order, leaving an average gross profit of 0.6 points per trade. On 17 trades this would indicate a theoretical gross profit of about 10 points: not a bad approximation to actual experience, considering the relatively short period of time covered by the test.

With a 5-point Stop-order, the gross profit would average about 1 point per trade. Of course profits are larger when following the Speculative trend than when opposing it, and we have previously shown that the great majority of fluctuations on the more condensed Stop-order charts are in the trend direction. This is why profits per trade should increase as we raise the size of the Stop-order; but the number of trades per annum will decrease, so that there comes a point where nothing is to be gained by a further increase in Stop-order limits.

SCALE ORDER SYSTEMS Systems of this type involve buying small lots at regular intervals in a declining market; then closing out each lot at a small profit, as opportunity offers, and going short on a scale up in a rising market. The classic procedure is to select for this purpose some non-dividend paying stock that has fluctuated actively for a number of years within a reasonably narrow price range. A well-known swindler, recently deceased, was convicted a number of years ago for soliciting funds from the public to operate such a system. His professed plan was to buy every point down, and reverse every point up. Commissions and other expenses were low enough in those days to make an average gross profit of one point per trade look attractive. What the authorities objected to was the danger that the stock might some day break through its habitual trading zone and drop down to nothing or shoot up to par, thereby wiping out the pool's capital.

With modifications, such as raising the scale order interval to two points by way of compensating for the post-war increase in trading expenses, this system is still followed by a few traders today. They gamble on making a large enough profit to at least cover their initial capital before it is wiped out by some violent change in the stock's intrinsic value. This danger

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1926 High	1926 Low	Last Sale Nov. 10
Anglo & London Paris Nat. Bank	$10.00	202	191¾	196
Bancitaly Corporation	2.24	85	72	85
Bank of Italy	16.00	465	436	453
East Bay Water A Pfd	6.00	98⅛	93¼	96¼
Federal Telegraph	....	13⅝	8¾	11
Great Western Power Pfd	7.00	110	101	103⅜
Key System Prior Pfd	7.00	89⅞	65	70
Los Angeles Gas Pfd	6.00	100⅜	95½	98½
Pacific Gas & Elec. 1st Pfd	6.00	102¾	97	99¾
Pacific Gas & Elec. Common	8.00	134	118	129½
Pacific Telephone & Tel. Pfd	6.00	104½	99⅞	103¾

Industrials and Miscellaneous

	Div. Rate	1926 High	1926 Low	Last Sale Nov. 10
Alaska Packers' Assn	8.00	180	160	170
California Packing	4.00	74½	66½	69⅝
California Petroleum	2.00	38¼	30	31¼
Caterpillar Tractor	5.00	150	111½	134½
Emporium Corporation	2.00	38	36	36½
Fireman's Fund Insurance	5.00	97½	90	91
Foster & Kleiser (cm.)	1.00	13	11	12¼
Hale Brothers	2.00	36½	35¼	35¾
Hawaiian Coml. Sugar	3.00	48	44	46½
Hawaiian Pineapple	1.80	60½	48	56½
Home Fire & Marine	1.60	38¾	32	32
Honolulu Cons. Oil	2.00	40¼	35	37⅜
Hunt Brothers Packing "A"	2.00	26¾	24	26¼
Illinois Pacific Glass "A"	2.00	33	20½	31¼
North American Oil	3.60	42	32⅛	38
Paraffine Common	6.00	110	84¼	110
Schlesinger A Common	1.50	27¾	22½	24¾
Shell Union Oil	1.40	30¾	23⅞	30¼
Southern Pacific	6.00	110¼	96¼	106¾
Sperry Flour Common	....	61½	40	42
Spring Valley Water	6.00	108	100	102½
Standard Oil of Calif	2.00	63¾	52⅝	60½
Union Oil Associates	1.99	67	36⅜	55
Union Oil of California	2.00	66¼	37½	54⅛
Union Sugar Common	2.00	29½	19½	19½
United Oil Co	2.00	82¾	56	74½
Yellow & Checker Cab "A"	.80	10⅝	9	9
Zellerbach Corporation	1.50	29⅜	24⅛	27¾

(*Continued from page* 185)

can be greatly minimized, however, by selecting some preferred stock with a long continuous record of dividend payments; and trading only on the long side. The latter modification is obviously to avoid the possibility of having to pay dividends indefinitely on short stock with which one might be "hung up" on a rising market. Of course a stock of this character will not fluctuate so actively as a speculative common stock; but any profits derived from this method of mechanical scalping will be "Velvet," over and above the income received from dividends.

Part X of this series, on "Fundamentals," will appear in our issue of December 18.

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J. J. NEWBERRY COMPANY

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OAKLAND

Have you a Pacific Coast branch? It will be to your advantage to study the benefits derived from locating in this enterprising California city. Ask for 379.

PREFERRED STOCKS A NEGLECTED FIELD FOR INVESTMENT AND PROFIT

(*Continued from page* 115)

more speculative preferred stocks had both the strength and weaknesses of common stocks. In every case though, the range of the preferred was less than that of the common. These individual comparisons are valuable, since group averages do not deal with identical situations, whereas the preferred and common stocks of individual companies do so.

These researches enable us to answer question 9 with reference to range of variation of preferred stocks.

A comparison of preferred stocks with commodity purchasing power will, of course, show the same results as in the case of bond issues. Every one knows that an income of $70 on $1,000 in preferred stocks now buys a third less than in 1915. But since commodity price levels also affect the buying power of profits made in common stocks it is too universal a factor, and so the sooner it is ruled out of consideration the better. Many economists make a fetich out of commodity price level changes, much to the confusion of the investor. The universality of commodity price changes is such that, of necessity they must be overrated as a market factor. Investors should not glance sideways at preferred because they have a fixed rate of return.

A similar caution attaches to the common belief that bond and stock movements are of necessity contradictory, and that such preferred stocks as are not of the highest investment grade fall between two stools. This is not at all true. We have seen the very lowest values in stocks established in 1921 at a time when the very lowest levels obtained for bonds. We have seen a simultaneous advance in bonds and stocks since that time. In the 1900-10 epoch, bonds and stocks advanced simultaneously over long periods. It must be remembered that the interest rate is only one of the factors that govern bonds, except those of the most sterling quality. All junior securities are affected somewhat by the same fluctuations in earning power that are basic for common stock movements. Hence, preferred stocks must be studied with reference to specific market situations and not according to vague theories.

The only important question remaining concerns equities. Senior equities are less important than junior equities in determining the investment position of preferred stocks. It matters much less that a 300 million dollar bond issue precedes a preferred stock issue of 50 millions than that the market values the common stock, on earnings possibilities, at only 184 millions where last year it valued it at 423 millions. The smaller the amount of market valua-

For articles to appear in the December 4th issue See Page 105

tion of junior equities, the less the investment quality of the preferred stock, all other things being equal. The amount rather than the proportion of junior capitalization seems the decisive factor in preferred stock valuation since it is affected directly by the valuation of earning power.

Redemption Price Not Always Important

With so many important preferred stocks selling above par a very real peril has been invoked in the possibility of their early redemption. It appears reasonable that a 7% preferred stock selling at 115 to yield a trifle over 6% might be called at 115 and a 6% preferred stock substituted at par. This reasoning ignores the cost of such a proceeding. Par value of preferred stock, say of ten millions is cancelled by payment of 11.5 millions. A new issue of ten millions is floated at 6%. Surplus loss is 1.5 millions and financing cost, say, $750,000 more. Against this 2.25 millions, $100,000 per annum is saved in dividends. It is doubtful whether the corporation would resort to the expedient under these conditions. Preferred stocks are in a better position in this regard than bonds, since the latter having maturity provisions, may find it much more profitable to refund. It may be laid down as a rule that a preferred stock can pass its redemption figure from five to ten points before the question of redemption passes out of the academic stage.

Conclusion

Preferred stocks are a neglected investment field. They offer the best yields known in the investment market, quality for quality. Better-grade preferred stocks resemble bonds in their market action. Investment preferreds, especially among industrials and underlying utilities, are still attractive. They will escape the ill-effects of a recession in business, and practically evade the consequences of a long-term downward trend in common stocks. They are conspicuous examples of what wrong-headed ideas and easy catchwords have cost investors. They have overlooked a group that during the last decade has shown a greater stability than common stocks and a higher rate of return than bonds. All the critical attacks and academic assaults on preferred stocks have missed the market fundamentals of investment stability and high return. Even the less meritorious preferreds have much to be said in their favor at this juncture. The accompanying table should act as a guide.

Commodities

COTTON THE anticipated government report, revealing the total crop as 17.9 million bales, did not materially affect the cotton market. The Meyer plan, calling for the delay in marketing 4 million bales was considered far more significant. Its effect on spot and early future quotations would be more easily measurable, than upon those dependent upon the next crop. For example, should the 4 million bales be withdrawn, the ensuing operations would involve a cost. It would be needful to recover this cost in 1927, so that, in this sense the excess deliveries are merely deferred in their evil market effect, and with an added cost! On the other hand, unless acreage is restricted, the fact that the government takes off an excess 4 millions and thus redeems the price, may itself stimulate a still greater crop. The giant crop of 1926 resulted not so much from large acreage as from yield per acre. This latter factor is, therefore, problematical. At any rate, those who are purchasing distant maturities on the basis of the Meyer plan may find themselves "whipsawed." Intermediate futures like March appear best now because they evade new crop, excess dumping and other factors. Recent quotations are as follows: December 12.33, January 12.44, March 12.66, May 12.90, July 13.12, October 13.30. It is notable that increasing crop forecasts have somewhat improved these levels from that of a month ago. In fact, the mills that have been withholding orders throughout may be compelled to purchase on the upward curve of prices. Unfortunately, this may be counteracted by much of the buying that has been going on based on cheapness of cotton. Dumping of these contracts in the Spring is an added danger. Nevertheless, despite these variables, cotton looks up for the March and May maturities.

WHEAT After riding along on beliefs that Argentine and Canada crops would be short, and with charter premiums on cargo ships, the wheat market faces a new set of facts. Argentine apparently will go above 150 million bushels for export, and Canada crop is 98% of last year's bumper. Increase of world visible supply has reduced our strategic position with reference to seaboard demand. At 1.41 for December contract and 1.46 for May, wheat although still lagging, does not seem to have an exceptionally brilliant future.

CORN Corn showed a wide upward swath, which stimulated marketings to such an extent that present visible supplies are the greatest in a quarter of a century. Not only is domestic supply of old corn in excess, but Argentine crop is large, and soon can be carried cheaply to Europe. Argentine quality is preferred in Europe.

December options are no longer threatened with any excess of new corn coming into market. Nevertheless, all indications point to May being the favored option, despite the rather large carrying cost. Closing prices: December 70, May 79.

TRADE TENDENCIES

(*Continued from page* 154)

risen 50% in the past month; and in view of higher coal miners' wages bid fair to continue to appreciate, with a consequent reflection in iron prices. Basic Valley is now obtainable at $19.25 as compared with a low of $18 about a month ago. Pig iron production in October gained about 158,000 tons.

PAPER

Industry Expands

American and Canadian mills combined produced 17% more paper in the first eight months of the year than in the same period of 1925. Moreover, the volume of business in the principal divisions of the industry is currently greater, with fourth quarter prospects showing no signs of abatement. It is true that price levels are somewhat lower than a year ago, but in the main are well sustained, while a 10% increase in aggregate sales offers sufficient compensation at least to maintain a net showing comparable to 1925.

The ever-increasing demand for newsprint, stimulated by the enormous growth of advertising, has been able to absorb substantially larger production. Export trade has likewise been heavier. Whereas $65 per ton is being offered currently for future contract, it is generally anticipated that heavy inroads on available timber lands will warrant advances in 1927. Cartons, paper board and wrapping paper are particularly active, running nearly 15% over the volume of a year ago. Fine paper manufacturers are not quite as active as the rest of the trade, but early covering of holiday requirements has materially bettered their position and prospect.

Announcement

IN our December 4th issue a review will appear of the ratings of Building and Loan Association laws, published in our October 9th issue. Several minor revisions will be made, and the exact position of the law and practice of associations in several states elaborated. The principal rating change will be that of Oklahoma, advanced from B to A. Several other states will receive attention.

HOW RAILS MAY FARE IF BUSINESS DECLINES

(Continued from page 127)

business, might be predicted as follows: Eastern 10%, Southern 7½%, Western 5%.

Within these groups, however, further subdivisions are called for. For instance, a very small portion of the anthracite produced goes into industrial usage and production shows little variation between good and bad times, so that bearing in mind the fact of the strike in January and February of this year, and this improbability of labor difficulties for another four years, it should not be expected that the hard coalers will suffer any decline of revenue in 1927. On the other hand, the Pocahontas soft coal region, has benefitted by the shut down of the Union bituminous mines, the anthracite strike and the British coal shortage. As soft coal traffic registers industrial depressions in a most decided way, and as it is, moreover, quite probable that the Union bituminous mines will again begin to produce after termination of the so-called Jacksonville wage agreement on April 1 next, while the British strike may terminate at any time, roads like Norfolk and Chesapeake might register some fairly large declines of revenues next year, perhaps as great as 20%. Again termination of the Union coal strike would undoubtedly benefit roads serving in particular Indiana and Illinois, such as the Chicago, Eastern Illinois and even the Illinois Central. Regarding western territory it may be observed the Central Western and Southwestern carriers have enjoyed a good deal of prosperity and those of the Northwest have not. It is difficult to foresee any appreciable declines in traffic in store for the latter.

Declines in gross revenue, of course, will not call for an equivalent decrease in net operating income. It is more or less axiomatic in the industry that "net" increases or decreases by half the amount of "gross." This may be taken to apply to *net revenue* rather than to *net operating income*, which includes taxes, etc., indicating a somewhat smaller proportionate loss or gain as the case may be. Probably 40% of the variation in gross revenues would represent a normal variation in net operating income. This factor will, of course, vary widely in different periods. Thus should business decline at a time when costs were advancing, profits must of necessity suffer a greater proportionate decrease. As a matter of fact, we are currently in an era of falling costs and a lessening of business activity should if anything accentuate this trend. If, therefore, we employ the 50% factor it is to be regarded, if anything, as more than adequate.

Another consideration is the rapidity of decline. If this proves gradual man-

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agements can more easily adapt their expenses to changed conditions. In any case there must develop some lag in readjusting costs to reduced revenue, so that again, the time that a decline in volume sets in will have considerable bearing upon the results of any calendar year. One thing is certain, there has never been a period when the railroads have stored up as much "fat," in the form of heavy maintenance and depreciation charges, to tide them over lean times, as they have in the past few years.

It is decidedly doubtful if, having once readjusted themselves to a reduced volume, the railways need suffer any decrease in net earnings unless the recession—when, as and if developed—prove a good deal more drastic than appears reasonably probable. It may be stated that individual roads could undoubtedly escape its effects. For what it may be worth, there is given in the appended table an estimate of the 1927 earnings of a number of important roads, based upon the assumption that next year will prove reactionary.

The Possibilities

It may be observed that such smaller earnings as may be predicted, in no instance involve any threat to existing dividends. Perhaps the safest generalization as to the consequences of a poor 1927, would be that share earnings of the carriers might fall back to their 1925 level. It is questionable if this even involves a stock market threat, unless a considerable prior advance in quotations takes place.

At no time in history did dividends represent a smaller proportion of earnings, 49%, than in 1925. At the same time, standard rail shares, are now too low in relation to money rates, if past ratios may be used as a criterion. Further, a virtually certain result of reduced prosperity would be an increase of idle funds and lower money rates, justifying higher prices for investment securities.

In the event of business reversals, railroad earnings will, as soon as a decent perspective may be gained, make an exceedingly creditable showing in comparison with those of the majority of other industries. The former is a present exception in achieving a respectable margin of profit, and thus being in a position to withstand some reduction in gross volume. Allowed to become sufficiently apparent, this position should, under the conditions outlined considerably enhance the investor's regard for the better rail shares. A favorable Supreme Court decision—and an opinion should be forthcoming this winter—as to the methods to be employed in valuation for rate-making purposes, would add greatly to this effect.

The prediction is hazarded—in an article devoted chiefly to prediction—that rails will go higher before they go materially lower and that their subsequent low may not improbably be higher than the present level.

New York Curb Market

IMPORTANT ISSUES

Quotations as of Nov. 9.

Name and Dividend	1926 Price Range High	1926 Price Range Low	Recent Price
Albert Pick Barth wi†	13⅜	10	13⅜
Amer. Gas & Elec. (1)††	110⅛	64	107
Amer. Super Power A (1.2)†	37⅞	19½	29⅝
Amer. Super Power B (1.2)†	39	21¼	30¼
Beacon Oil*	19⅜	14⅛	16
Celotex Co. (6)	207	117	160
Centrif. Pipe (1)*	27	15¾	18¼
Cities Service New (1.2)†	48¾	37½	48¾
Cities Service Pfd. (6)†	92	82⅜	92
Consolidated Laundries (2)*	28½	21	23¾
Curtiss Aero†	23⅞	15⅛	17⅛
Curtiss Aero Pfd. (7)†	89½	75½	82
Durant Motors†	14⅞	3½	9½
Elect. Bond & Share (1)†	86	56⅛	66½
Electric Investors†	74⅛	30¾	37¼
Fed. Purchase "A" (3)*	35⅛	29⅞	31
Fed. Purchase "B" (1)*	17½	9½	11¼
Ford Motor of Canada (20)†	655	326	330
General Baking A (5)*	79½	44½	54⅝
General Baking B*	18	5	5¾
Gillette Safety Razor (3)†	114	89	91
Glen Alden Coal (7)†	186	138½	182
Goodyear Tire & Rubber†	40	28	31⅛
Gulf Oil (1.5)†	95	82	90
Happiness Candy Store (50c)*	7¾	5⅞	6½
Hecla Mining (2)†	19¼	15½	16⅞
Horn & Hardart (1.50)†	62⅞	41	55
International Utilities B†	9⅞	3⅛	4½
Land Co. of Florida†	47¾	17	18⅜
Lion Oil & Refining (2)*	25¾	20	24½
Metro Chain Stores††	50½	25½	32
Mountain Producers (2.40)†	26	23	24¼
New Mex. & Arizona Land†	17	9⅛	11
Nipissing Mining (60c)*	7½	5	5⅝
Northern Ohio Power†	26⅛	11	13¼
Pacific Steel Boiler*	16⅜	11	12⅛
Puget Sound P. & L.†	66½	26	28⅛
Reo Motor (80c)†	25⅜	19	19⅞
Rickenbacker Motor*	9½	1¼	1⅛
Salt Creek Producers (80c)†	36	26¾	29¾
Servel Corporation A†	22¾	12⅜	14⅜
Southeast Pwr. & Lt. new†	46¾	20	31⅛
So'east Pwr. & Lt. Pfd. (4)†	69¾	59	67¼
Stutz Motors*	37¾	16⅛	20⅛
Trans Lux*	14	6⅛	7⅜
Tobacco Products Export†	4⅞	3¼	3¼
Tubize Artif. Silk†	240	160	160
Victor Talking Machine†	106⅛	68	102¼

STANDARD OIL STOCKS

Name and Dividend	1926 Price Range High	1926 Price Range Low	Recent Price
Continental Oil (1)†	25⅞	17½	18¾
Humble Oil (1.2)†	99⅝	52	56
International Pet. (50c)†	35¼	28¾	32
Ohio Oil (2)†	67⅜	55¾	59
Prairie Oil & Gas†	60¼	48	49¾
Standard Oil of Ind. (2.5)†	70½	61¼	64⅞
Standard Oil of N. Y. (1.4)†	47¼	30⅜	32⅛
Vacuum Oil (2)†	109¾	90¼	96

Note:
*Listed in the regular way.
†Admitted to unlisted trading privileges.
††Application made for full listing.

STRONGER markets generally helped Curb prices during the past fortnight. Public utility shares showed considerably more buoyancy than in earlier sessions, and, while some irregularity was displayed among the industrials, oil stocks continued uniformly firm in both the Standard Oil and the independent groups.

Consolidated Laundries Corporation

This company, created last year through the consolidation of a number of the leading laundry companies operating in the metropolitan area of New York City, is the largest laundry and linen supply system in the United States. The constituent companies—more than twenty in number—reported a net business of over $8,000,000 last year. Since organization the new company has made extensive improvements to its physical properties to facilitate efficient operation as a single unit. The company is recognized as a dominating unit in the district in which it operates and is constantly expanding the scope of its activities by the acquisition of new companies.

Consolidated Laundries is capitalized with an authorized issue of one million shares of no par value stock of which some 371,000 shares are outstanding. The funded debt consists of $2,000,000 ten-year 6½% notes issued during the early part of the year and $866,843 in mortgages standing against some of the properties of constituent companies. As of March 31 of this year current assets amounted to approximately 1.5 million dollars against current liabilities of $332,000. President Kilby stated on June 30 that the company had greatly improved its financial position with cash on hand of $683,835 and no bank loans and planned to expand operations through the absorption of several independent companies.

The laundry industry is an essential business, which, like the public utility industry, operates on a cash basis with no inventory problems to contend with. Past records show that the industry has doubled every five years with a marked upturn in gross business since the immigration laws have made the servant problem an increasingly difficult one for the housewife.

In addition to the regular cash dividend of $2 per annum, the directors declared an initial stock dividend of 2% payable in common stock through semi-annual payments of 1% each. At the current price of around 23 the total cash value of both the cash and stock dividends is equal to better than a 10½% yield basis. Earnings of the company are at the rate of around $3 a share, covering the cash dividend by a satisfactory margin. Inevitable economies in operation resulting from unified management should be reflected in greatly expanded profits. As a speculation these shares appear attractive at current levels and provide a liberal return in the meantime for the security buyer of impatient temperament.

"How I Licked Wretched Old Age at 63"

"Banished Foot and Leg Pains . . . Got Rid of Rheumatic Pains and Constipation . . . Improved Embarrassing Health Faults . . . Found Renewed Vitality.

"At 61, I thought I was through. I blamed old age, but it never occurred to me to actually fight back. I was only half-living, getting up nights . . . embarrassed in my own home . . . constipated . . . constantly tormented by aches and pains. At 62 my condition became almost intolerable. I had about given up hope when a doctor recommended your treatment. Then at 63, it seemed that I shook off 20 years almost overnight."

Forty—The Danger Age

These are the facts, just as I learned them. In 65% of all men, the vital prostate gland slows up soon after 40. No pain is experienced, but as this distressing condition continues, sciatica, backache, severe bladder weakness, constipation, etc., often develop.

Prostate Trouble

These are frequently the signs of prostate trouble. Now thousands suffer these handicaps needlessly! For a prominent American Scientist after seven years of research, discovered a new, safe way to stimulate the prostate gland to normal health and activity in many cases. This new hygiene is worthy to be called a notable achievement of the age.

A National Institution for Men Past 40

Its success has been startling, its growth rapid. This new hygiene is rapidly gaining in national prominence. The institution in Steubenville has now reached large proportions. Scores and even hundreds of letters pour in every day, and in many cases reported results have been little short of amazing. In case after case, men have reported that they have felt ten years younger in six days. Now physicians in every part of the country are using and recommending this treatment.

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The Electro Thermal Company
4463 Main Street **Steubenville, Ohio**

THE ELECTRO THERMAL CO.,
4463 Main Street, Steubenville, Ohio.

Name..............................

Address..............................

City.............................. *State*..............................

Western address: Dept. 44-F 711 Van Nuys Bldg. Los Angeles, Cal.

Dividends

United States Realty and Improvement Company

111 Broadway, New York City

The directors of this company to-day declared a quarterly dividend of one dollar ($1.00) on each share of its stock without nominal or par value issued and outstanding, payable on December 15, 1926, to holders of record of such stock at the close of business on November 26, 1926.

For the purpose of such dividend, holders of record at the close of business on November 26, 1926, of certificates for shares of common stock of the par value of one hundred dollars, which will not have been exchanged for certificates of stock without nominal or par value, will be deemed the holders of record of 2½ shares of stock without nominal or par value for each share of common stock of the par value of one hundred dollars held on said date, as if such exchange had been made, and will be entitled to said dividend.

ALBERT E. HADLOCK, Treasurer.

Dated New York, November 11, 1926.

Fairbanks, Morse & Co.

Preferred Dividend

Notice is hereby given that the regular quarterly dividend of One and Three-quarters per cent (1¾%) has been declared on the outstanding 7% preferred stock of this company, payable on December 1st, 1926, to stockholders of record at the close of business on November 15th, 1926.

The transfer books will not close.

F. M. BOUGHEY, Secretary.

Chicago, Illinois, November 1st, 1926.

Republic Iron & Steel Company

Preferred Dividend No. 89

At a meeting of the Board of Directors of the Republic Iron & Steel Company, the regular quarterly dividend of 1¾% on the Preferred Stock was declared payable January 2, 1927 to stockholders of record December 15, 1926.

RICHARD JONES, Jr., Secretary.

GUANTANAMO SUGAR COMPANY

The Board of Directors has this day declared a Dividend of Two Dollars ($2.00) per share on the Preferred Stock, for the quarter ending December 31, 1926, payable January 3, 1927, to stockholders of record at the close of business December 15, 1926. The Transfer Books will not be closed.

JOHN WOLLPERT, Secretary.

New York, November 9th, 1926.

MARTIN-PARRY CORPORATION

New York, October 28th, 1926.

The Board of Directors of the Martin-Parry Corporation has this day declared a dividend of Fifty (50c) Cents a share on the capital stock of the corporation, payable December 1st, 1926, to stockholders of record November 15th, 1926. The transfer books will not close.

F. M. SMALL, President.

MALLINSON'S Silks and Fabrics de Luxe

H. R. MALLINSON & CO., INC.

299 Fifth Avenue, New York City

November 13, 1926

Preferred Dividend No. 28

The Board of Directors of this Corporation has declared the regular quarterly dividend No. 28 of 1¾% on the Preferred Stock, payable January 1st, 1927 to stockholders of record at the close of business December 21st, 1926.

E. IRVING HANSON, Treasurer.

Dividends

CANADIAN PACIFIC RAILWAY CO.

DIVIDEND NOTICE NO. 122

At a meeting of the Board of Directors held today a dividend of two and one-half per cent on the Common Stock for the quarter ended 30th September last was declared from railway revenues and Special Income, payable 31st December next to Shareholders of record at three p. m. on 1st December next.

By order of the Board.

ERNEST ALEXANDER, Secretary.

Montreal, 9th November, 1926.

Underwood Typewriter Company

The Board of Directors of the Underwood Typewriter Company at its regular meeting held November 11, 1926, declared the regular quarterly dividend of $1.75 per share on the Preferred, and $1.00 per share on the Common Stock of the par value of $25.00 each, payable January 1st, 1927 to stockholders of record December 4th, 1926.

D. W. BERGEN, Treasurer.

Independent Oil and Gas Company

Tulsa, Okla., October 25, 1926.

Dividend No. 17

Notice is hereby given that the Directors of this Company, at the regular quarterly meeting held October 25, 1926, declared a cash dividend for the fourth quarter of 1926 of 25c per share, payable January 17, 1927 to stockholders of record at the close of business December 30, 1926.

R. M. RIGGINS, Secretary, Treasurer.

The Miller Rubber Company

PREFERRED DIVIDEND

A regular quarterly dividend of $2.00 per share has been declared on outstanding preferred shares, payable December 1, 1926, on stock of record at the close of business November 10, 1926.

WM. F. PFEIFFER, Treasurer.

WEST PENN RAILWAYS COMPANY

New York, N. Y., November 3, 1926.

The Board of Directors of West Penn Railways Company has today declared quarterly dividend No. 38 of one and one-half (1½%) per cent. upon the 6% Cumulative Preferred Stock, payable December 15, 1926, to stockholders of record at the close of business on November 24, 1926, being for the quarter ending December 15, 1926.

C. F. KALP, *Treasurer.*

MONONGAHELA WEST PENN PUBLIC SERVICE COMPANY

Fairmont, W. Va.

October 27, 1926.

The Board of Directors of Monongahela West Penn Public Service Company has declared a dividend of 43¾ cents per share on its 7% Preferred Stock for the quarter ending December 31, 1926, payable January 1, 1927, to stockholders of record at the close of business December 15, 1926.

S. E. MILLER, *Secretary.*

To the Stockholders of Simms Petroleum Co.:

The Board of Directors of your Company has this day declared from the surplus profits of the Company a dividend of Fifty Cents (50c) a share on the Capital Stock, to be paid on January 3, 1927 to stockholders of record as of the close of business Wednesday, December 15, 1926. The stock transfer books will not be closed.

SIMMS PETROLEUM COMPANY.
By Alfred J. Williams, Treasurer.

To Presidents of Corporations:

Keep the largest group of bona fide investors informed of your Company's expansion by publishing your dividend notices in these columns.

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BIG BUSINESS OPPORTUNITY

$400 MACHINE EARNED $5040 IN ONE YEAR; $240 machine $1448; $160 machine $2160. Many St. Louis machines earned annually $4000. One man placed 300. Responsible company offers exclusive advertising proposition. Unlimited possibilities. Protected territory. $1000 to $3000 investment. Experience unnecessary. NATIONAL KEI-LAC COMPANY, 312 N. 19th St., St. Louis, Mo.

Charters

DELAWARE incorporator; charters; fees small; forms. Chas. C. Guyer, 901 Orange St., Wilmington, Del.

Dividends

Remington Typewriter Company

First and Second Preferred Dividend No. 82

NEW YORK, November 9, 1926.

The Board of Directors has this day declared a quarterly dividend of 1¾% ($1.75) per share on the First Preferred stock of this Company, payable January 1, 1927, to stockholders of record December 15, 1926.

The Board of Directors also declared a quarterly dividend of 2% ($2.00) per share on the Second Preferred stock payable January 1, 1927, to stockholders of record December 15, 1926.

HAROLD E. SMITH,
Secretary.

Tennessee Copper & Chemical Corporation
61 Broadway, New York
November 9, 1926.

The Board of Directors of the Tennessee Copper & Chemical Corporation has this day declared a quarterly dividend of twenty-five cents (25c) per share on the issued and outstanding capital stock of the company, payable December 15, 1926, to stockholders of record at the close of business on November 30, 1926. The books will not close.

E. H. WESTLAKE, Treasurer.

Dividends

CIGARS UNITED

UNITED CIGAR STORES CO. OF AMERICA

Preferred and Common Dividends

The Board of Directors has this day declared the following regular quarterly dividends.

On the Preferred Stock, a dividend (No. 57) of 1¾% payable December 15, 1926, to stockholders of record at the close of business on November 30, 1926.

On the Common Stock, a dividend (No. 57) of fifty cents a share in cash, and a dividend of 1¼% in common stock payable on December 30, 1926, to stockholders of record at the close of business on December 10, 1926.

The stock books will not be closed.

GEORGE WATTLEY
Treasurer

Dated November 12, 1926

Federal Light & Traction Co.

PREFERRED and COMMON STOCK DIVIDENDS

52 William St., New York, Nov. 3, 1926.

The Board of Directors has this day declared the Regular Quarterly Dividend of One Dollar and Fifty Cents ($1.50) per share on the Preferred Stock of Federal Light & Traction Company, payable on December 1, 1926 to the Stockholders of record as of the close of business November 15, 1926.

The Board of Directors has also this day declared the Sixteenth Quarterly Dividend, at the rate of Thirty-Five Cents (35c) per share, upon the Common Stock of the Company. Such dividend is payable Twenty Cents (20c) in cash and Fifteen Cents (15c) per share (1/100 of a share) in the Common Stock of the Company. This dividend is payable on January 3, 1927, to the Common Stockholders of record at the close of business December 15, 1926.

No certificate of Common Stock will be issued for less than one (1) share. For fractional shares scrip will be issued and will be exchangeable for stock at the office of The New York Trust Company, 100 Broadway, New York, N. Y., upon surrender in amounts aggregating Fifteen Dollars ($15.00) or multiples thereof. No dividends will be paid to the holders of scrip but all dividends on the stock represented by scrip will be payable to the first registered holder of the stock.

Checks for the cash dividends and certificates and/or scrip for the stock dividend will be mailed.
The transfer books will not be closed.

J. DUNHILL,
Secretary and Treasurer.

The Mengel Company

The Board of Directors of The Mengel Company, November 5, 1926, declared the regular quarterly dividend of one and three-fourths (1¾%) per cent on the Preferred Stock of the Company, payable December 1st, 1926 to Stockholders of record at the close of business November 15th, 1926.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh & Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., November 5th, 1926.

Dividends

ESSENTIAL SERVICE IN 19 STATES

MIDDLE WEST UTILITIES COMPANY

Notice of Dividend on Prior Lien Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of Two Dollars ($2.00) upon each share of the outstanding Prior Lien Capital Stock, payable December 15, 1926, to all Prior Lien stockholders of record on the company's books at the close of business at 5:00 o'clock P. M., November 30, 1926.

EUSTACE J. KNIGHT,
Secretary

Paramount Pictures

FAMOUS PLAYERS-LASKY CORPORATION
COMMON DIVIDEND

PLEASE TAKE NOTICE that the Board of Directors has this day declared the regular quarterly dividend of $2.00 per share on the Common Capital Stock of this Company payable January 3rd, 1927, to stockholders of record at the close of business on December 15th, 1926.

ELEK JOHN LUDVIGH,
November 8th 1926 *Secretary*